Serving British Columbians

2013 Annual Report and 2014–2016 Service Plan

WORKSAFEBC

Strategic Foundations of WorkSafeBC

WorkSafeBC (the Workers' Compensation Board of British Columbia) is an independent statutory agency governed by a board of directors appointed by the provincial government. We provide coverage to 2.19 million workers and almost 218,000 registered employers throughout B.C., and are funded through insurance premiums paid by employers and investment returns. In administering the *Workers Compensation Act*, WorkSafeBC remains separate and distinct from government; however, we are accountable to the public through the provincial government, which is responsible for protecting and maintaining the overall well-being of the workers' compensation system.

Our vision

British Columbians free from workplace injury, disease, and death

Our mission

- Champion safe and healthy workplaces
- Save lives and prevent injury and disability
- Deliver outstanding service to workers and employers
- Provide and support excellent medical and rehabilitative care to workers
- Preserve the financial integrity and sustainability of the system
- Learn, lead, and share

Priorities of the Board of Directors

- Eliminate serious injury and death in the workplace
- Improve return-to-work outcomes and prevent avoidable disability
- Maintain an effectively operating business
- Maintain a system with long-term sustainability that contributes to the societal benefits envisaged by the historic compromise
- Respond effectively to changing social and economic realities

Our goals

(For more information, see page 24)

1. Foster the improvement of occupational health and safety in workplaces and communities
2. a. Improve service to stakeholders — improve return-to-work outcomes, disability prevention, overall customer service, accessibility, and public confidence

   b. Improve service to stakeholders — improve adjudicative decision making throughout the organization, ensuring stakeholders receive their full legal entitlements
3. Maintain the cost-effectiveness and accountability of the services WorkSafeBC delivers
4. Maintain financial security, sustainability, and stability

Shared values

As an organization and as individuals we make decisions and take action based on these values:

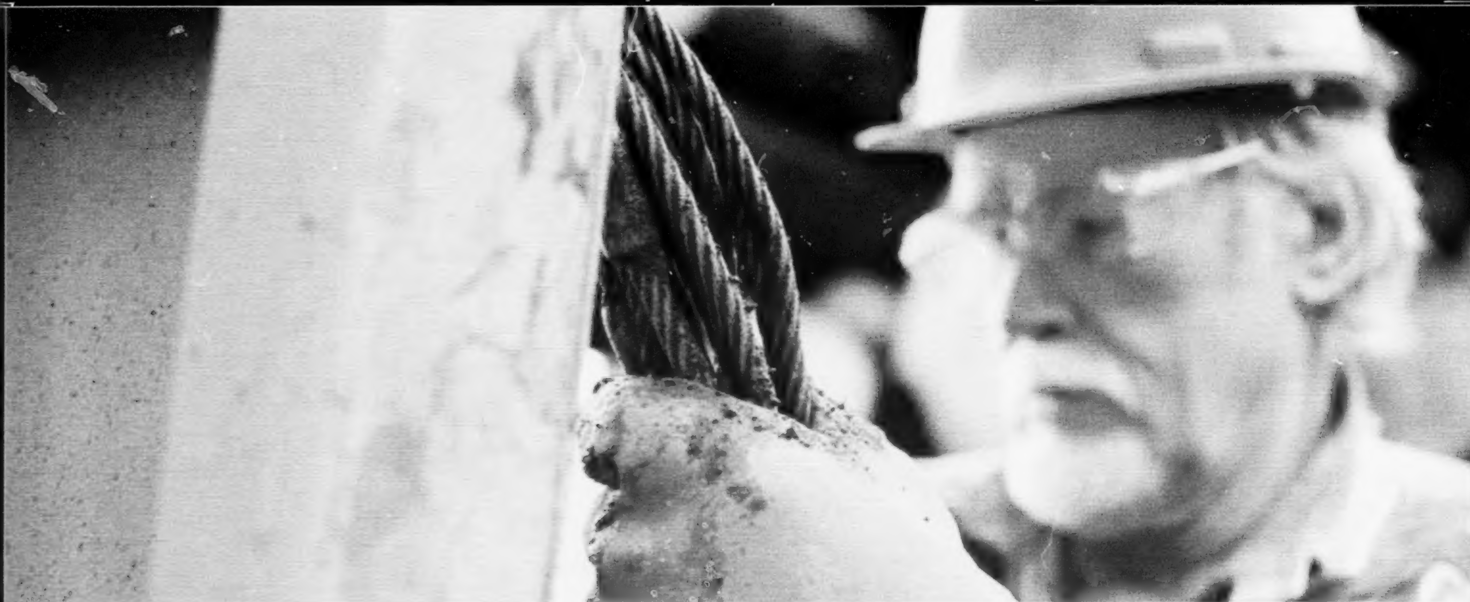
Service
Making a difference one human being at a time

Integrity
Doing the right thing

Accountability
Open and transparent

Partnership
Collaborating for success

Innovation
Challenging complacency



WorkSafeBC 2013 Annual Report and 2014–2016 Service Plan

Our Performance

Our Finances

Appendices

WORKSAFEBC

About WorkSafeBC

Since 1917, we have been dedicated to the reduction and eventual elimination of work-related injury, disease, and death in B.C. workplaces. When workers across British Columbia get sick, injured, or killed on the job, WorkSafeBC is committed to easing the physical, financial, and psychological burden on workers and their families.

With a legislated responsibility for establishing and enforcing occupational health and safety standards, we are committed to making a difference to the people of British Columbia — one worker, one employer, one workplace at a time. To meet these responsibilities, WorkSafeBC focuses on the following areas:

Preventing workplace injury and death

Our vision is to keep workers and workplaces safe and secure from injury, disease, and death. In support of this goal, we establish standards and guidelines for occupational health and safety practices; educate and consult with workplace stakeholders; raise public awareness; and build partnerships with industry safety associations, unions, and other key stakeholders to improve health and safety in B.C. workplaces. We also have the legislative authority to monitor compliance with occupational health and safety law and regulation; investigate serious incidents; and, in certain cases, levy financial penalties or other sanctions against employers for safety infractions.

Compensating and rehabilitating injured workers

When work-related injuries and illnesses do occur, WorkSafeBC makes entitlement decisions about compensation benefits. We administer health care and wage-loss benefits, permanent disability benefits, and survivor benefits. We also work with external partners to rehabilitate injured workers and return them to safe, lasting employment.

Maintaining the system's financial sustainability

WorkSafeBC assesses and collects employer premiums and invests those funds to cover current and future costs of compensation benefits, as well as the costs of administering the workers' compensation system. We are committed to sound financial management, with programs and strategies in place to manage costs and investment returns to maintain the long-term financial sustainability of the system.

Ensuring ethics and integrity are paramount

Within WorkSafeBC, ethics and integrity govern our daily work. Internally, we use various means to maintain checks and balances and ensure fairness in everything we do. As the first level of appeal, our Review Division provides a simplified and flexible process for obtaining an independent review of specific decisions. Our Fair Practices Office serves as an independent and impartial source of assistance for individuals navigating the workers' compensation system. As much of the information our team deals with is confidential, we have an office dedicated to ensuring we meet our obligations under the *Freedom of Information and Protection of Privacy Act* (FIPPA). We also have an Internal Audit department that supports the Board of Directors, Audit Committee, and senior management by providing independent and objective assurances. Our Board of Directors includes broad and balanced representation from B.C.'s worker, employer, and health care/ rehabilitation communities.

Our Historic Roots

Protecting workers and employers since 1917

In the early 1900s, British Columbia's population and workforce were growing rapidly and in need of a compensation system. Forestry, fishing, and mining were the province's core industries and working conditions were often dangerous. When workers were injured it placed great strain on their families. In turn, employers also faced the risk and uncertainty of litigation.

The year 2013 marks 100 years since Sir William R. Meredith tabled his Workers' Compensation Report in the Ontario Legislature. It outlined what came to be known as the Meredith Principles, on which the Canadian workers' compensation systems are founded — resulting in the creation of what is known as the historic compromise.

The Meredith Report

The report is based on five guiding principles:

No-fault compensation: Workplace injuries are compensated regardless of fault. The worker and employer waive the right to sue. There is no argument over responsibility or liability for an injury.

Collective liability: The total cost of the compensation system is shared by all employers who contribute to a common fund.

Security of payment: A fund is established to guarantee that compensation monies will be available and injured workers are assured of prompt compensation and future benefits.

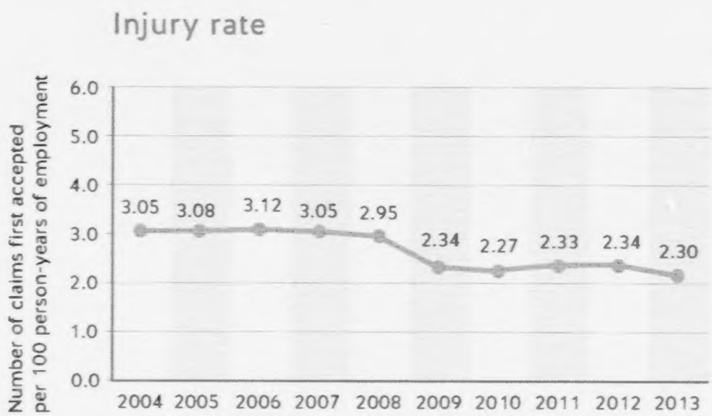
Exclusive jurisdiction: All compensation claims are directed solely to the compensation board.

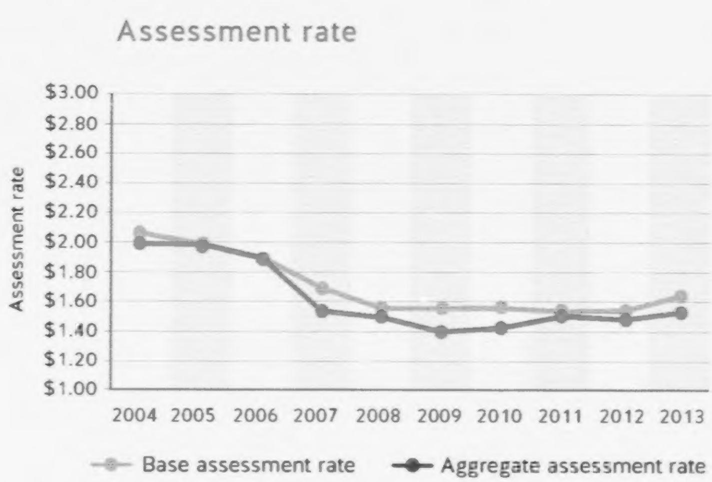
Independent board: The governing board is both autonomous and non-political. The board is financially independent of government or any special interest group.

Under the compromise, workers relinquished their right to sue their employers or fellow workers for injuries, disease, and death sustained in the workplace. In exchange, employers agreed to fund a no-fault insurance system.

Today, the historic compromise remains the basis of workers' compensation in B.C. and Canada.

Operational Highlights





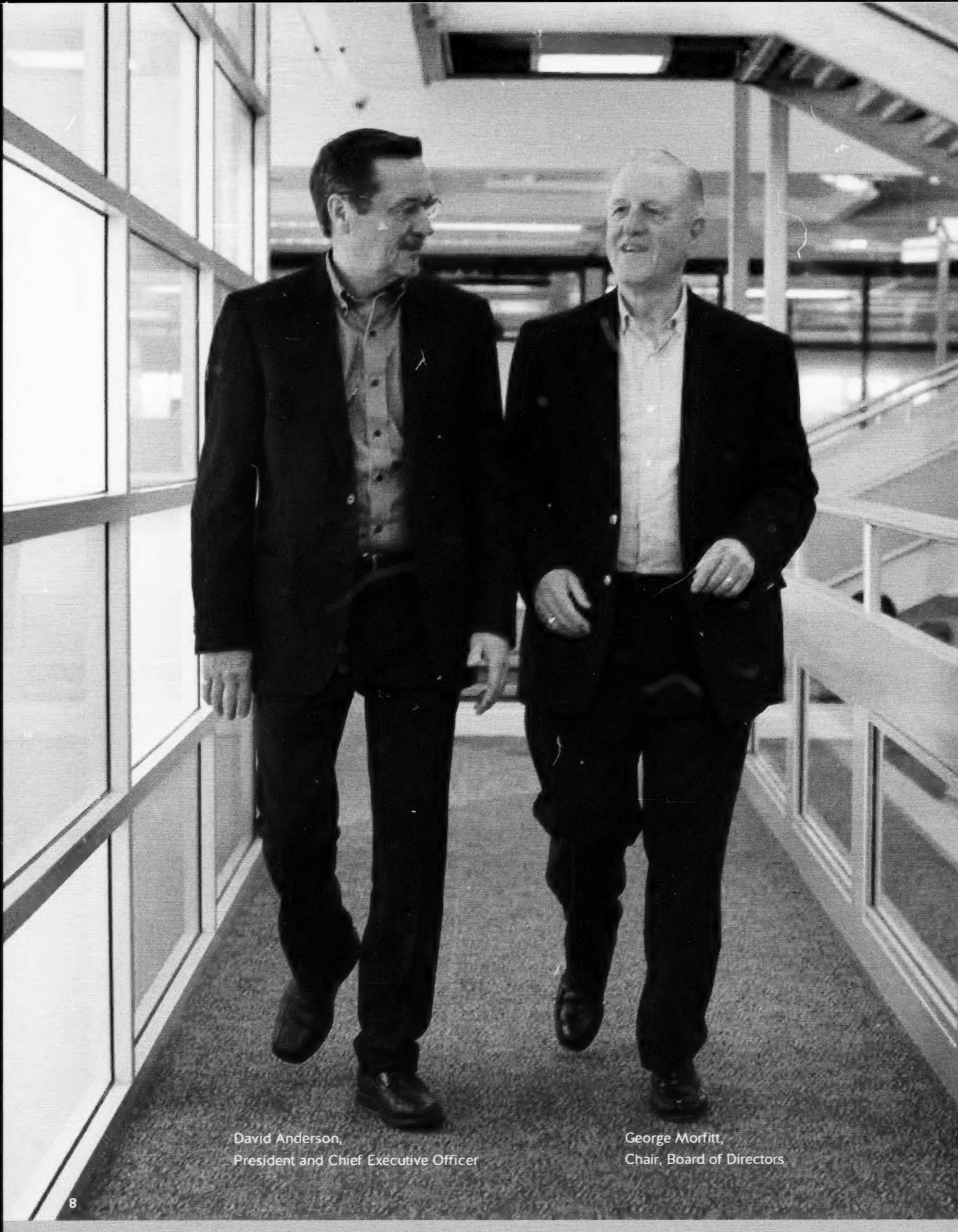
Allocation of 2013 expenses (2012)

Key financial comparatives

($ millions)	2013	2012
Premium income	1,243	1,163
Investment income	1,547	1,128
Other income	4	11
Claim costs	1,951	2,272*
Operating costs**	221	215
Surplus (deficit) from operations	622	(185)*
Actuarial gains (losses) on employee benefit plans	206	(33)
Total comprehensive income (loss)	828	(218)*
Total assets	14,472	13,160*
Total liabilities	11,615	11,132*
Unappropriated balance	1,388	766*
Reserves	1,552	1,552
Accumulated other comprehensive income (loss)	(83)	(289)
Market rate of return on investment	12.4%	9.5%

* These amounts have been restated from those published in the 2012 annual report to reflect an accounting change in the recognition of liability for future long-latency occupational disease claims (see Note 2 of the consolidated financial statements on page 87).

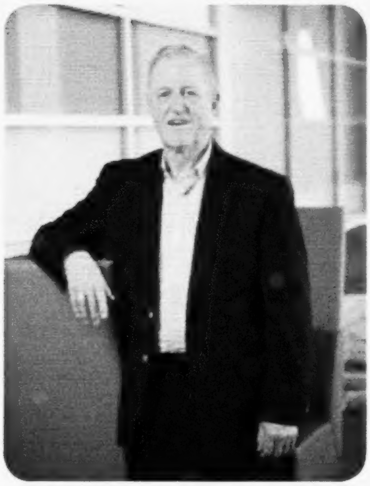
** Net of claim administration costs: 2013 — $244 million; 2012 — $243 million.



David Anderson,
President and Chief Executive Officer

George Morfitt,
Chair, Board of Directors

Questions and Answers with the Chair and President



George Morfitt, Chair, Board of Directors

In Conversation with the Chair

Q. In early 2012, there were two devastating sawmill explosions in British Columbia. How has the Board of Directors responded to those events?

Every member of our Board was deeply affected by the four fatalities and many injuries caused by the devastating sawmill explosions. Our commitment to protecting the health and safety of workers in British Columbia continues to be our primary mandate. We directed our WorkSafeBC management team to develop a targeted approach to address the root causes of these explosions.

We can report that progress is being made around the issue of combustible dust and the management of dust accumulation, ventilation, and collection systems. Areas of concern identified by our team of specially trained prevention officers are being addressed and a series of mill inspections will continue through 2014 (see page 30).

In February 2014, the Government of British Columbia released a report entitled, *Babine Explosion Investigation: Fact Pattern and Recommendations* (Dyble Report). We are implementing all the recommendations as outlined to strengthen our investigation process and improve our interaction with the Criminal Justice Branch, Ministry of Justice for future investigations.

The Board of Directors has appointed an administrator to oversee the implementation of the Dyble Report. Additionally, the administrator will be making recommendations to the Board of Directors in relation to the Minister's letter of direction.

Q. How did WorkSafeBC perform financially in 2013?

Against the backdrop of financial markets that have been volatile in recent years and generally low global economic growth, our investment income was 12.4 percent in 2013. Though this was better than our performance in 2012, we expect more modest returns in the future.

Also, in 2013, we achieved an overall funding ratio of 125 percent. Looking ahead: though assessment rates will be rising in 2014, if our investment returns remain strong, we may be able to mitigate future rate increases for employers.

Q. What were some of the organization's highlights for the year?

In 2013, we worked diligently to address psychological injuries and stress in the workplace. With the implementation of the Province of British Columbia's Bill 14 and its compensation provisions for mental disorders, our Board approved three comprehensive workplace bullying and harassment policies. Each policy places specific obligations on employers, workers, and supervisors, with the goal of fostering healthier and more civil workplaces in British Columbia — to everyone's benefit. As part of this roll-out, we developed core support materials for employers, workers, and supervisors. They're available on worksafebc.com.

Also in 2013, as part our commitment to be transparent and accountable to British Columbians, we took steps to make data from our *Statistics 2012* publication available on DataBC, the provincial government's open data portal. I'm proud to say WorkSafeBC is one of the first agencies to share information on this platform. These materials will help researchers, the media, and other members of the public, while providing an inside look at how we work.

Our efforts in 2013 were very much guided by our strategic plan, *Safe Work & Outstanding Service 2012–2017*, with its focus on the serious injury rate, occupational disease, economic uncertainty, and social health issues. The plan is available on worksafebc.com.

Q. How does the WorkSafeBC Board of Directors support employers and workers in British Columbia?

With a broad range of perspectives that includes the views of workers, employers, disability prevention, health care, actuarial science, and the public interest, we believe our Board's governance structure is an asset to our compensation system as a whole. WorkSafeBC benefits from this breadth of viewpoints and the expertise and professional experience of our individual Board members; not only does this knowledgeable governance help steer and inform us in our operations, but it also helps maintain the strength and integrity of British Columbia's compensation system overall.

With a positive injury rate trend over the past 10 years and prevention strategies designed to reduce injury, disease, and death in workplaces, B.C.'s compensation system makes the province a favourable place for employers and workers to do business. As a Board, our job is to challenge the executive and staff to achieve the best possible results in serving the needs of stakeholder groups.

It also bears restating that a properly funded system is one of our Board's key responsibilities. We must meet our commitment to injured workers and make certain their families will be cared for financially, while ensuring employers can rely on an efficient and effective system.

Q. Do you have any closing remarks?

In this year's report, we have highlighted the 100th anniversary of the Meredith Report. In 1913, Sir William Meredith of Ontario proposed a made-in-Canada solution for a workers' compensation model to better protect workers and employers. Meredith's vision, now a century old, provided the very foundations for the system we know today — a no-fault system founded on the principles of collective liability, security of payments, exclusive jurisdiction, and an independent board.

Into the 21st century, Meredith's principles continue to serve every worker, supervisor, and employer in British Columbia, and have become a cornerstone of other workers' compensation systems around the world. To read more about the Meredith Report, see page 5.

David Anderson,
President and
Chief Executive Officer

In Conversation with the President

Q. What is the status of workplace inspections related to the risk of combustible dust?

The explosions in Burns Lake and Prince George in 2012 resulted in the tragic deaths of four workers and seriously injured many others. Since these events, we issued an industry-wide directive order relating to combustible dust hazards; we launched an intensive inspection program of all mills and similar operations across B.C.; and a comprehensive combustible dust strategy was developed with input from stakeholders.

Prevention officers have inspected and re-inspected every active sawmill in the province. We expect high standards of compliance from employers and, at time of writing, our officers are embarking on a fourth round of inspections of all sawmills and wood-processing facilities. The standards we are enforcing are rigorous. For more information, see page 30.

We continue to work diligently to support workers and their families who were injured in these explosions, including the most seriously injured, through our Special Care services department.

Q. What were WorkSafeBC's successes and challenges in 2013?

In the past year, the injury and serious injury rates in British Columbia remained highly stable and at near-historic lows again in 2013.

We continued shortening the length of time between when a worker's claim is accepted and when his or her benefits are first paid. We also addressed a challenge identified in 2012, to return injured workers on short-term disability to meaningful work within 26 weeks. We met this challenge by implementing a new return-to-work strategy — one that includes earlier, targeted, and specialized interactions with injured workers. Collectively, these initiatives have all contributed to the consistently high satisfaction rating we receive from workers, something they've reported back to us, and that is especially meaningful to the entire WorkSafeBC team.

At a broader level, I'm pleased to report that 90 percent of the public we surveyed, agreed: WorkSafeBC makes a positive contribution to British Columbia, a result that exceeded our target for 2013.

On the challenges front, in 2013 we announced an average base premium rate increase of 4.8 percent for 2014, which may rise modestly over time as past surpluses no longer allow us to discount rates charged to a level below actual costs. Having said that, our investment returns in 2013, at 12.4 percent, exceeded our expectations; we remain cautiously optimistic that future market growth may mitigate future rate increases for employers. Still, we must remain diligent and prudent in managing our investments.

Q. How is WorkSafeBC addressing the needs of B.C.'s employers and workers?

To date, our prevention strategies have helped move injury rate levels to historic lows. However, we're creating a more sophisticated prevention plan that will help identify risks in various industries — particularly catastrophic risks, which have fewer claim indicators. Within prevention, we're creating a new risk analysis group, dedicated to monitoring and intelligence-gathering in high-risk industries. To this end, we'll be taking a series of steps, including re-establishing and realigning our high-risk strategies, enhancing investigative excellence, strengthening the sanction process, and broadening our employer engagement.

In 2012, we conducted research into the needs and experiences of small businesses in British Columbia and their interaction with the workers' compensation system. In response to feedback, we've redesigned some of our key small business communications channels. We've introduced a dedicated small business section on our website, established a team to liaise with small businesses and act as a one-stop resource, and published various guides and materials devoted to their needs.

We're well over a year into adjudicating mental disorder claims arising from changes to our legislation in 2012. These claims are often complex and have many aspects, such as differentiating between normal workplace conflict and threatening or abusive behaviour, distinguishing significant stressors and traumatic events, and return-to-work challenges. As a result, we've established a team that deals exclusively with such claims. We've also developed online resources, in the form of a workplace bullying and harassment tool kit that includes animated clips, a handbook, fact sheets, posters, and other tools to help employers, supervisors, and workers learn about and address these issues first-hand. These materials are available at worksafebc.com/bullying.

No matter what the injury — whether it is a physical or mental disorder — returning workers safely to the workforce is important to a worker's physical and psychological well-being. Helping employers accommodate workers during this process is key to long-lasting recovery. This message continues to resonate in B.C., and is a message we'll continue to champion.

Q. What lies ahead for B.C.'s workers' compensation system?

There's no doubt that broad societal changes are taking place — an aging workforce, an increasing number of foreign workers, a prevalence of work-related mental health issues, and an uncertain economy. These are all changes that will continue impacting our compensation system.

We're also seeing major shifts in the way the world communicates. Part of our job involves identifying and monitoring these changes, and responding effectively to them. Our ongoing initiatives from our strategic plan will continue moving us forward.

Looking ahead, we will remain attuned to the opportunities and challenges the future holds. At the same time, we'll continue taking steps to enhance worker safety and improve our relationships with employers, while looking out for the bottom line and improving the workers' compensation system overall.

Q. Do you have any closing comments?

After more than 19 years with WorkSafeBC, I will be retiring in June 2014. It has been an honour to serve the workers and employers of British Columbia. I want to sincerely thank the Board of Directors, and most importantly the dedicated management and staff of WorkSafeBC for their constant support, especially during the 10 years I have served as President and CEO.

Governance — WorkSafeBC Board of Directors

Rick Roger

Vice-chair and public interest representative BA, MSHA

Appointed January 2009

Former CEO of the Vancouver Island Health Authority and the Vancouver/Richmond Health Board; British Columbia Institute of Technology (BCIT) board member

Joe Lindgren

Employer representative
BA (Hons), C.Dir

Appointed January 2009

Small business owner; president of Lincor Enterprises Ltd.; trustee of the Construction Industry's Benefit Plan; director of the Vancouver Resource Society

Henry Harder

Health care and rehabilitation representative
BEd, MA, EdD

Appointed April 2008

Registered psychologist; professor and chair of health sciences at the University of Northern British Columbia

Phillip Legg

Worker representative
BA, C.Dir

Appointed January 2009

Director of policy and communications for the Federation of Post-Secondary Educators of BC; Community Savings Credit Union board member

Tazeem Nathoo

Public interest representative
ICD.D

Appointed November 2010

Executive coach and senior consultant with Western Management Consultants; Citizens Bank of Canada board member; BCAA board member

Alan Cooke

Actuary
FCIA, FSA

Appointed December 2012

Actuary with experience in insurance, pensions, disability plans, financial reporting and investments; trustee of the Healthcare Benefit Trust; former vice-chair of Actuaries Without Borders

George Morfitt

Chair
CPA, FCA

Appointed May 2010
(Director since 2006)

Fellow of the BC Institute of Chartered Accountants; former Auditor General of British Columbia

David Anderson

President and
Chief Executive Officer
MBA, FCHRP, C.Dir

Ex officio member

Former WorkSafeBC VP Rehabilitation and Compensation Services and VP Human Resources; senior executive positions in both the public and private sectors

Duties

According to the *Workers Compensation Act* (the Act), the Board of Directors must:

- Set and revise, as necessary, the policies of the Board of Directors, including policies respecting compensation, assessment, rehabilitation, and occupational health and safety
- Set and supervise the direction of WorkSafeBC
- Select the president of WorkSafeBC and determine the president's functions
- Approve the operating and capital budgets of WorkSafeBC
- Establish policies and accounting systems to ensure adequate funding of the Accident Fund[1]
- Approve major programs and expenditures of WorkSafeBC
- Approve the investment of WorkSafeBC funds in accordance with the requirements imposed under the Act
- Plan for the future of WorkSafeBC
- Enact bylaws and pass resolutions for the conduct of WorkSafeBC's business and the functions of the Board of Directors, including enacting bylaws regarding the manner in which the policies of the Board of Directors are to be published
- Each year, provide the Minister Responsible for Labour with a service plan that addresses the three-year period starting on January 1 of that year and achieves the following:[2]
  - Sets out WorkSafeBC's priorities
  - Identifies specific objectives and performance measures for WorkSafeBC
  - Provides a fiscal forecast for WorkSafeBC, including a statement of all material assumptions and policy decisions underlying the forecast
  - Compares actual results with the expected results identified in the previous year's service plan
  - Presents other information WorkSafeBC considers appropriate

Priorities of the Board of Directors[3]

- Eliminate serious injury and death in the workplace
- Improve return-to-work outcomes and prevent avoidable disability
- Maintain an effectively operating business
- Maintain a system with long-term sustainability that contributes to the societal benefits envisaged by the historic compromise
- Respond effectively to changing social and economic realities

Major accomplishments

In 2013, major accomplishments of the WorkSafeBC Board of Directors included:

- Approving an enhanced prevention strategy with a focus on new risk-based projects, and identifying certain risks not aligned with claims or common indicators
- Approving a targeted combustible dust strategy covering dust accumulation, ventilation, and collection systems, with the goal of sustained compliance in the area of wood dust management
- Approving a comprehensive policy to help address and prevent workplace bullying and harassment
- Approving a series of occupational health and safety policy amendments to:
  - Provide more flexibility in issuing orders regarding workplace violations to better address underlying health and safety issues and identify responsible parties
  - Provide clarification about the responsibilities of employers as they pertain to other workers on a jobsite, such as independent contractors, as well as a more consistent approach to addressing this matter
- Approving a revised serious injury measure that more appropriately identifies the number of serious workplace injuries and distinguishes them from time-loss claims
- Approving a new asset allocation policy for the Accident Fund with a goal of achieving higher target returns and decreasing interest rate risk
- Through our research program, WorkSafeBC funded two research training awards for highly ranked doctoral students, supporting capacity-building in occupational health and safety (OHS) research in B.C.

Committees

In 2013, the Board of Directors met 10 times, including one governance and planning session. Board committees met as follows:

- Audit Committee — eight times
- Human Resources and Compensation Committee — four times
- Policy, Regulation, and Governance Committee — six times

Decisions

The Board of Directors makes decisions on policy and regulation affecting the workers and employers of British Columbia. The Board's decisions can affect the premium rates employers pay and the level of benefits workers receive. As part of its commitment to remaining open and accountable to its stakeholders and the general public, WorkSafeBC posts the Board of Directors' decisions and formal resolutions at www.worksafebc.com/regulation_and_policy/policy_decision/board_decisions/default.asp.

Accountability

This *2013 Annual Report and 2014–2016 Service Plan* was prepared under our direction in accordance with the *Workers Compensation Act*. WorkSafeBC is accountable for the results achieved, for selecting the performance indicators, and for how our performance has been reported.

The information contained in this document reflects the actual performance of WorkSafeBC for the 12 months beginning January 1, 2013, and ending December 31, 2013. All material fiscal assumptions and policy decisions up to April 17, 2014, have been considered in developing this publication.

This annual report and service plan presents a comprehensive picture of our actual performance against targets set in the *2012 Annual Report* and *2013–2015 Service Plan*. It also includes estimates and significant interpretive information representing the best judgement of WorkSafeBC management. The indicators reported are consistent with the organization's mission, goals, and objectives, and focus on aspects critical to understanding WorkSafeBC's performance. We are responsible for ensuring WorkSafeBC's performance information is measured accurately and in a timely manner. Any significant limitations in performance data reliability have been identified and explained. This report and service plan has been prepared in accordance with the B.C. Reporting Principles (see page 20) and is intended for a general audience. More detailed information about WorkSafeBC is available at worksafebc.com.

On behalf of the Board of Directors and management of WorkSafeBC,

George Morfitt, CPA, FCA
Chair, Board of Directors
WorkSafeBC

David Anderson, MBA, FCHRP, C.Dir
President and Chief Executive Officer
WorkSafeBC

Financial Context

The financial information contained in this annual report and service plan conforms to the audited consolidated financial statements (see page 79), except for the additional financial information, as noted, based on the smoothed accounting approach.

In accordance with International Financial Reporting Standards (IFRS), our consolidated financial statements reflect the market value of investments and fair value of post-employment employee benefit plan assets and liabilities at the end of the reporting year (fair value accounting). They provide a snapshot or point-in-time reading of financial assets and liabilities. Short- and long-term financial market fluctuations are reflected in the financial results.

Since WorkSafeBC's investments are intended to yield returns over the long term, any short-term gains in asset value do not necessarily mean funds are available to lower employer premium rates or suggest there is capacity for government to legislate an increase to worker benefits. Similarly, short-term losses should not necessarily signal the need to increase premium rates or for government to consider introducing legislation to reduce worker benefits. To avoid rate fluctuations generated by financial market volatility, WorkSafeBC sets premium rates using smoothed accounting. Smoothed accounting amortizes investment returns, along with actuarial gains or losses relating to WorkSafeBC's post-employment employee benefit plan assets and liabilities, over a five-year period that moderates the effect of capital market volatility on financial results. This approach takes into account the unique business requirements of Canadian workers' compensation systems, including the need for pricing stability (for employer premium rates) and benefit sustainability (for injured workers and their dependants).

A 10-year summary table (unaudited), prepared based on the smoothed accounting approach, is available at www.worksafebc.com/publications/reports/annual_reports.

Prudent investment promotes sustainability

To ensure the long-term financial sustainability of the workers' compensation system in British Columbia, the *Workers Compensation Act* stipulates that present and anticipated future costs arising from an injury in a given year should be collected through assessments on employers whose accounts are active in that year. WorkSafeBC also seeks to promote the sustainability of the workers' compensation system through prudent investment of the Accident Fund.[4] The primary determinant of the Accident Fund's risk and expected return is the asset mix of its investment portfolio, determined by WorkSafeBC's Board of Directors with the advice of an Investment Committee. The Investment Committee includes four independent external investment experts, WorkSafeBC's President and Chief Executive Officer, Chief Financial Officer, and Chair of the Audit Committee. The minimum long-term objective of the Investment Committee is to earn a real rate of return (the rate of return over inflation) of 3.5 percent, slightly higher than the 3.0 percent discount rate used to determine the fund's actuarial liability.

The Board of Directors regularly reviews and updates a statement of investment policies and goals for the investment portfolio. Among other objectives, it sets out an asset allocation policy to guide investment strategies. Currently, 25 percent of the Accident Fund's investment portfolio is targeted to fixed-income investments such as bonds and mortgages (with a permissible range of 20 to 35 percent). Another 43 percent is allocated to Canadian and international public and private equities (with a permissible range of 35 to 50 percent). The final 32 percent is allocated to inflation-sensitive investments, such as inflation-linked bonds, real estate, and infrastructure assets (with a permissible range of 20 to 40 percent). The asset allocation policy also permits investment in other asset classes (with a permissible range of 0 to 5 percent).

Funding policy offers protection

In 2007, WorkSafeBC's Board of Directors approved the creation of a Capital Adequacy Reserve to address the organization's long-term capital requirements. It offers greater security for worker benefits and reduces premium rate volatility by strengthening the organization's ability to withstand economic and demographic uncertainties (see Note 11 of the consolidated financial statements, page 125).

WorkSafeBC assesses its financial strength using two main indicators. The primary indicator is the ratio of total assets to a specific target asset level as defined in key objective/performance indicator #8 (see page 49). This indicator, unique among Canadian compensation boards, tracks the organization's ability to withstand the impact of large financial shocks, such as the stock market losses of 2008 and 2011. At the end of 2013, this indicator was at 94 percent of the target asset level. The long-term goal is to build this indicator to 100 percent. In the near term, it is expected to decrease to 92 percent as we anticipate having to draw down the Capital Adequacy Reserve to limit premium rate increases.

The second indicator determines the funding level, or ratio of assets to liabilities, an indicator of financial strength used by other workers' compensation boards in Canada (see Appendix A, page 138). At the end of 2013, WorkSafeBC's funding level was 125 percent.

Accounting changes

For calculation dates on or after December 31, 2014, Actuarial Standards of Practice require that benefit liabilities include an appropriate allowance for all occupational disease claims with a long latency period that are expected to manifest as claims in future years for which there has already been partial exposure to the disease-causing agent. In 2013, WorkSafeBC elected to begin recognizing this liability on a retrospective basis. The impact of this accounting change is a $329 million increase in benefit liabilities at December 31, 2012, and a further increase in liabilities of $13 million during 2013. For further information on this accounting policy change, see Note 2 of the consolidated financial statements, page 87.

This liability for future latent occupational disease claims will be excluded from the smoothed financial statements and rate group statements and, therefore, will not impact the premium rates paid by employers. For rate-setting purposes, the liability for occupational diseases will continue to be recognized only after the disease has been diagnosed.

Our Performance

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the Workers' Compensation Board of British Columbia, and To the Minister of Jobs, Tourism and Skills Training and Minister Responsible for Labour, Province of British Columbia

I have audited the *2013 Annual Report and 2014-2016 Service Plan* (the annual report) of the Workers' Compensation Board of British Columbia (WorkSafeBC) to assess whether performance has been fairly presented in accordance with the BC Reporting Principles for the year ended December 31, 2013. The eight BC Reporting Principles outline the characteristics of good performance reporting, and were endorsed by the Legislative Assembly's Select Standing Committee on Public Accounts in 2003 for use by public sector organizations in British Columbia. This annual report is the responsibility of WorkSafeBC's management. My responsibility is to express an opinion on this annual report based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Accordingly, I planned and performed an audit to obtain reasonable assurance that the BC Reporting Principles have been incorporated in the annual report. My audit included examining, on a test basis, evidence supporting the amounts and disclosures in the annual report and assessing significant estimates underlying reported performance.

I have audited the entire annual report to assess whether it has been prepared in accordance with the BC Reporting Principles. A separate audit, to determine if WorkSafeBC's financial statements have been prepared and reported in accordance with International Financial Reporting Standards, was also conducted. My opinion is provided on page 81.

As called for by the BC Reporting Principles, the annual report contains a number of representations from management concerning the appropriateness of the goals, objectives, and targets established by WorkSafeBC, explanations of the adequacy of planned and actual performance, and expectations for the future. Such representations are the opinions of management and inherently cannot be subject to independent verification. Therefore, my examination was limited to ensuring the report contains those representations called for by the BC Reporting Principles and that they are consistent with the audited performance information and financial statements.

In my opinion, this annual report fairly presents, in all significant respects, the performance of WorkSafeBC for the year ended December 31, 2013, in accordance with the BC Reporting Principles. The following appendix contains details supporting my conclusion for each of the BC Reporting Principles, and is an integral part of my opinion.

Russ Jones

Victoria, British Columbia
April 29, 2014

Russ Jones, MBA, CA
Auditor General

Detailed Observations

Principle 1 – Explain the Public Purpose Served

The report explains WorkSafeBC's public purpose, enabling legislation, and mission. Core business areas, services, clients, and stakeholders are described, as is the role of partners. The report explains WorkSafeBC's governance structure and external accountabilities. The report outlines WorkSafeBC's values that guide its service delivery (guiding principles and premises).

Principle 2 – Link Goals and Results

The report explains the chain of events from mission to goals, objectives, and strategies through to performance measures. The relevance of these measures is explained in the context of WorkSafeBC's goals and objectives, and in relation to issues of concern to an external audience (the public and legislators). Performance measurement focuses on outcomes in the short and long term, explaining how short-term achievements impact long-term results. Variances between planned and actual results are explained and related to expectations and plans for the future.

Principle 3 – Focus on the Few, Critical Aspects of Performance

The report states why goals, objectives, and 11 key objective/performance indicators are important to WorkSafeBC and to an external reader. The performance information provides a clear and concise performance story. Key results are clear and readily apparent.

Principle 4 – Relate Results to Risk and Capacity

The report summarizes key risks and capacity issues in relation to each key objective/performance indicator, their impact on results, and strategies for dealing with them in the future. Issues related to organization-wide financial, infrastructure, and technology risks and capacity are discussed separately.

Principle 5 – Link Resources, Strategies, and Results

Revenue and expense variances are described as part of management's commentary on the financial statements. Costs are related to key business activities and goals. Planned and actual amounts are provided for key revenue and expense items. Critical measures of efficiency are identified — administrative efficiency is the focus of one key objective/performance indicator, and operational financial performance is the focus of another.

Principle 6 – Provide Comparative Information

Actual performance is clearly reported in relation to the service plan. Current performance is graphically related to historic trends, and related to relevant industry benchmarks. Inconsistencies in trend data are fully explained, and future performance targets are explained in the context of current performance.

Principle 7 – Present Credible Information, Fairly Interpreted

I am providing a high level of assurance that the data supporting the 11 key objective/performance indicators is reliable. Systems to compile performance indicator data have been established and documented, although I do not provide assurance on the effectiveness of the control environment. The report is reasonably concise and specialized terminology has been largely avoided. I note, however, that key objective/performance indicator #8, Achieve 100% of Target Asset Level, is inherently complicated and may be difficult for some readers of the report to understand.

Principle 8 – Disclose the Basis for Key Reporting Judgments

The report provides explanations for how performance indicators are derived and the period to which data relates. WorkSafeBC's Chair and Chief Executive Officer have affirmed their ownership of the report, and their responsibility for ensuring the accuracy and timeliness of performance information. The report explains the importance and relevance of goals and objectives, and it discusses how targets are selected.

Our Performance

Measuring our performance

WorkSafeBC uses a set of objectives and associated key performance indicators that allow us to track and benchmark our progress over time. These objectives and performance indicators guide us in our planning and decision making and, through the annual reporting process, enable us to remain open and accountable to British Columbians. We use a defined series of objectives and performance indicators, as identified by our Board of Directors, as key contributors to meeting our strategic goals (see page 24). In choosing which performance indicators to highlight, the Board considered the following:

- Relevance of each indicator to WorkSafeBC's strategic goals
- Validity of the indicators (do they measure what they are intended to measure?)
- Availability and reliability of data
- Clarity, comprehensiveness, and transparency of the indicators
- Comparability, year-over-year

These 11 key objective/performance indicators, also known as KPIs, reflect WorkSafeBC's commitment to reporting its performance in terms of a balanced scorecard — an analysis of our organization's ability to incorporate both financial and non-financial factors in meeting our mandate, vision, and mission. By looking beyond financial indicators, we gain a more complete picture of our overall performance. We then use that information to enhance our business operations.

Throughout the year we monitor and assess each key performance indicator (along with additional indicators) to track our progress toward targeted goals. Most indicators are updated monthly or quarterly, allowing us to adapt to changes and, when necessary, make corrective policy, program, or operational adjustments to revert to target.[5]

Changes from the previous year

Nine of the 11 key objective/performance indicators selected for this year's annual report and service plan have been used since 2003,[6] though some definitions and calculations have changed over time. Any substantive calculation changes are noted in the year they were made. WorkSafeBC's Board of Directors may change, discontinue, or introduce a new key objective/performance indicator at any time.

In 2013, the Board of Directors approved a change to the calculation method for KPI #8; for years previously reported (2009-2012), results have been restated accordingly. More information about this change is provided in Appendix B on pages 140-141. A minor change was also made to the calculation method for KPI #2, and previously reported results from 2011-2012. Further information regarding this change is provided on page 33.

If an indicator changes after the annual report and service plan have been submitted to the Minister Responsible for Labour, the change is detailed in the following year's report. We also report the results of indicators discontinued from the previous year and, whenever possible, historical results. This provides readers with a useful context to interpret and compare results from year to year.

Also, as noted on page 61, beginning in 2011, WorkSafeBC adopted International Financial Reporting Standards (IFRS), reflecting the adoption of those standards as generally accepted accounting principles (GAAP) for publicly accountable enterprises in Canada. As such, results and targets from 2011[7] for KPIs #8 and #10 are in accordance with IFRS.

Despite these various changes, every effort has been made to ensure comparability across all time periods shown.

Linking priorities and performance

This reporting year is the second year of operation under our five-year strategic plan. Approved by WorkSafeBC's Board of Directors in 2011, *Safe Work & Outstanding Service* defines the broad strategies and actions for achieving our goals while ensuring our efforts and resources are aligned to our established goals. The strategic plan also affirms the values and commitments that will continue guiding our organization.

Our KPIs measure our successes as well as areas for improvement. The table on page 24 outlines the linkages between and among KPIs to strategic goals in keeping with the *Safe Work & Outstanding Service* plan.

Setting annual targets

In setting annual targets for each KPI, we consider factors such as historical performance, desired service levels, operational requirements, and resources available for achieving short- and long-term goals. We also look at environmental and other external factors that may affect performance, as well as our potential to manage or control those factors through various processes, programs, and initiatives.

In setting our annual targets, WorkSafeBC always strives to improve. In some cases, targets we set for future years may be the same or less favourable than levels achieved the previous year. This can happen when factors that contributed to past performance are no longer expected to continue. For example, we may have achieved favourable results because of a temporary improvement in economic conditions, a new short-term initiative, or one-time allocation of resources. Targets may also be less favourable than previous targets when certain expenditures or activities are expected to affect outcomes. For example, an investment in new technology may increase WorkSafeBC's administrative costs over a certain period. Where appropriate, this type of temporary cost increase is considered in setting future targets.

The following section lists each key objective/performance indicator, factors contributing to performance outcome, and WorkSafeBC's annual targets through 2016. Our reporting is consistent with the Performance Reporting Principles for the British Columbia Public Sector (BC Reporting Principles). In this context, it bears mentioning that a target is considered to be the forecast of a performance indicator's value in a given year of the service plan. However, targets are not intended to limit our potential to strive for service improvement or dictate how decision makers should adjudicate individual claims.

Ensuring data reliability

WorkSafeBC stands behind the integrity and reliability of all KPI results published in this annual report. In an ongoing effort to improve our performance reporting, for the past 11 years we have submitted our annual report to a voluntary annual audit by the Office of the Auditor General of British Columbia. This audit is intended, in part, to verify the accuracy of our results and identify areas for improvement. It is in addition to the normal auditing of financial statements. For more information on the Office of the Auditor General's Report, refer to pages 20 and 21.

Through ongoing auditing and quality control initiatives, each year WorkSafeBC will continue enhancing the quality, consistency, comparability, and completeness of data we include in our annual reports. The Board of Directors will also continue evaluating performance indicators, making refinements as necessary to ensure each indicator accurately reflects our progress as an organization in working toward our strategic goals.

Comparing results over time

Each KPI cited in this report includes a comparison to past results. While our criteria for measuring performance generally remain the same from year to year, to properly interpret results over time, the overall operating environment must be considered. For example, a change in the mix of economic activity — such as an increase in construction activity[8] — might influence the outcome of several performance indicators based on overall system averages. Similarly, changes in the proportion of occupational disease claims could affect the indicator for payment timeliness since disease-related claims are complex and generally take more adjudication time. Broader economic changes can also influence some indicators more than others.

For this report, results have been compared over the period from 2009 to 2013, with targets set for 2014 to 2016. The exception is KPI #2, introduced in 2011, for which results are only available from the previous two years.

Comparing results with other jurisdictions

In Canada, all workers' compensation organizations collect data that helps them measure their performance and administer their systems. However, each jurisdiction typically uses different means to collect and report data due to differing legal requirements, policies, goals, governing structures, and operating procedures. This can make it difficult to compare results from one jurisdiction to another, or to discern national trends. See Appendix A, page 136, for more information.

Linking Priorities and Performance

In December 2011, the WorkSafeBC Board of Directors approved our new strategic plan. It reflects refinements to past strategic direction while providing updated priorities, goals, and objectives. Targets for the years 2014 to 2016 align with the strategic plan and may be reviewed in conjunction with the table on the following page.

2012–2017 Strategic Plan*

Board of Directors — Priorities

- Eliminate serious injury and death in the workplace
- Improve return-to-work outcomes and prevent avoidable disability
- Respond effectively to changing social and economic realities
- Maintain a system with long-term sustainability that contributes to the societal benefits in keeping with the historic compromise
- Maintain an effectively operating business

Goals	Goal 1: Foster the improvement of occupational health and safety in workplaces and communities	Goal 2a: Improve service to stakeholders — improve return-to-work outcomes, disability prevention, overall customer service, accessibility, and public confidence	Goal 2b: Improve service to stakeholders — improve adjudicative decision making throughout the organization, ensuring stakeholders receive their full legal entitlements	Goal 3: Maintain the cost-effectiveness and accountability of the services WorkSafeBC delivers	Goal 4: Maintain financial security, sustainability, and stability	
Operational objectives	• Preventing serious injury	• Championing return to work and preventing avoidable disability • Providing outstanding customer service to workers and employers	• Learning, leading, and sharing	• Ensuring the long-term financial stability of the system		• Engaging and supporting the WorkSafeBC team
Indicators (key performance indicator, KPI)	• Injury rate (number of claims first accepted per 100 person-years of employment) (KPI #1)	• Return to work a) Improve the timeliness of safe, durable return to work for workers on short-term disability benefits (KPI #2) b) Improve return-to-work outcomes for workers in vocational rehabilitation (KPI #3) • Number of days required for WorkSafeBC to send first wage-loss payments to short-term disability claimants from the date of their disablement (KPI #4) • Survey results: injured workers' rating of overall experience (KPI #5) • Survey results: employers' rating of overall experience (KPI #6) • Survey results: public contribution index (KPI #7)	• Proportion of issues leading to decision changes as a result of legal and/or policy errors (Review Division and WCAT levels) (KPI #11)	• Annual administration costs per $100 of assessable payroll collected from employers (KPI #10)	• Percentage of the target asset level achieved (KPI #8) • Aggregate premium rate (KPI #9) • Greenhouse gas emissions (reported in the Corporate Social Responsibility section)	

* *Safe Work & Outstanding Service — WorkSafeBC's Strategic Plan 2012–2017* (WorkSafeBC, December 7, 2011) http://www.worksafebc.com/about_us/assets/PDF/StrategicPlan.pdf

Performance Targets and Results at a Glance

Key objective/performance indicator		2013 target	2013 result	2014 target	2015 target	2016 target
1. Reduce the provincial injury rate (number of claims first accepted per 100 person-years of employment)		2.60 or less	2.30	2.50 or less	2.50 or less	2.50 or less
2. Improve return to work (percentage of workers returning to work within 26 weeks from injury date)		80%	81%	81%	81%	81%
3. Improve return-to-work outcomes for workers in vocational rehabilitation (percentage of vocational rehabilitation clients who successfully return to work)		74%	77.5%	76%	77%	77%
4. Improve timeliness of initial short-term disability payments (number of days from disablement date to first payment)		21 days	18.3 days	18 days	17 days	17 days
5. Improve injured workers' rating of overall experience (percentage who rate overall experience as good or very good)		77% good or very good	77% good or very good	77% good or very good	78% good or very good	78% good or very good
6. Improve employers' rating of overall experience (percentage who rate overall experience as good or very good)		81% good or very good	79% good or very good	81% good or very good	81% good or very good	81% good or very good
7. Raise public confidence (percentage who rate WorkSafeBC's public contribution as somewhat or very positive)		86% or more	90%	90% or more	90% or more	90% or more
8. Achieve 100 percent of the target asset level (actual asset value as a percentage of target asset level)		86%	94%	92%	92%	92%
9. Attain an aggregate premium rate between $1.25 and $2.25 (aggregate premium rate per $100 of assessable employer payroll)		$1.55	$1.54	$1.63	$1.63	$1.74
10. Control administration costs (administration costs per $100 of assessable employer payroll)		$0.35	$0.33	$0.33	$0.32	$0.32
11. Improve decision making throughout WorkSafeBC, ensuring consistency with legislation and policy (proportion of claim issues leading to overturned decisions due to error in application of law and/or policy)	Review Division	2.0% or less	0.6%	2.0% or less	2.0% or less	2.0% or less
	WCAT	2.5% or less	1.4%	2.5% or less	2.5% or less	2.5% or less

> "I wanted to develop this robot so that oil and gas industry workers like my dad wouldn't be harmed..."
>
> — **Jesse Plamondon,**
> Middle school student,
> Fort St. John

Way of the future? Using robots to limit worker exposure to deadly gas

Whenever possible, whatever the industry, reducing the injury rate and finding ways to limit worker exposure to situations that may cause serious injury or death is critical.

Solutions come in all shapes and sizes, and sometimes the brightest innovations can come from unlikely places.

Jesse Plamondon of Fort St. John, B.C. is proof positive. The 14-year-old student designed a robot to sniff out potentially deadly hydrogen sulfide, or H_2S. Often linked to the oil and gas industry, H_2S — also known as sour gas, sewer gas, stink damp, and hydrosulphuric acid — can cause serious injury and death for workers. In large quantities, just a few seconds of exposure can be fatal, while in more limited amounts, this toxic gas can irritate the eyes, nose, throat, and lungs. It's also extremely explosive.

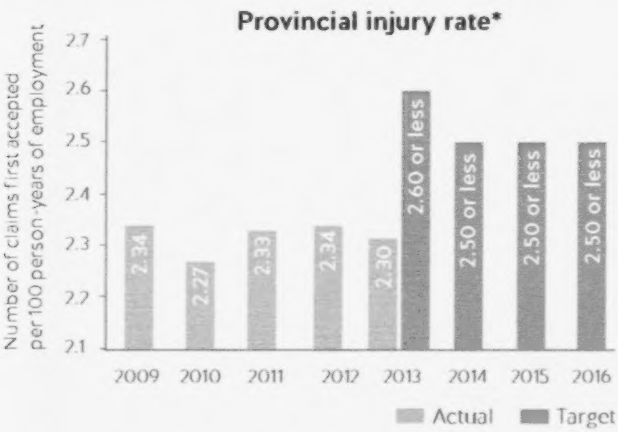
Plamondon's inspiration for creating his remote-controlled robot — the EZ B Controlled Rover 5 — came from his dad, a production technician for Penn West Energy.

"My dad told me about the bad things that can happen with H_2S," says Plamondon. "I wanted to develop this robot so that oil and gas industry workers like my dad wouldn't be harmed when entering areas with dangerous gas."

Reducing the provincial injury rate is at the very heart of our mandate, which is why we believe in recognizing innovations that can help keep workers healthy and safe. We salute Jesse for his efforts and innovative thinking, and were proud to present him with the 2013 Al Appleton award at the Northern BC Regional Science Fair. In memory of Al Appleton, a long-serving WorkSafeBC manager who passed away in 2002, this award is given to the best regional projects developed by students in grades 7 to 12 that show creativity and innovation in workplace injury and disease prevention.

Performance Targets and Results

Key objective/performance indicator #1: Reduce the provincial injury rate[9]



*The injury rate estimates for 2013 are preliminary and subject to change. As the injury rate is finalized in July of each year, prior-year results are restated to reflect finalized numbers.

Importance

At WorkSafeBC, our top priority is preventing work-related injury, disease, and death for British Columbians. We gauge our progress by measuring the provincial injury rate — the number of claims first accepted by WorkSafeBC per 100 person-years of employment.[10] The lower the provincial injury rate, the lower the human cost paid through work-related injuries and deaths.[11]

Setting targets

A composite figure representing injuries in all sectors, the provincial injury rate is based on various factors, including changes in economic activity, industry practices, industry mix, and injury risk in each sector. All these factors create upward pressure on the injury rate. To set our targets, we examine the current injury rates by sector and estimate the impact that programs, initiatives, and changes will have on the injury rate in the coming year. The weighted average of these sectoral injury rates is what makes up the provincial injury rate target.

Since reaching an historic low of 2.27 in 2010, we have closely monitored the injury rate trend to determine the new baseline. Based on an injury rate in the low 2.3 range during the past several years, targets for 2014–2016 have been reduced to 2.50 to reflect this. Though higher than the 2013 result, the target is still ambitious. It will take determination on the part of WorkSafeBC and our stakeholders to temper the upward movement of the injury rate at this level, particularly if we are to further reduce the overall injury rate as changes in economic activity can influence results over time.[12]

The following table shows the estimated change in the 2013 injury rate by sector, compared with the final injury rate for 2012.

Injury rate by sector

Sector	Injury rate for 2012	Estimated change in 2013[13]
Primary resources	2.6	Higher
Manufacturing	3.5	Lower
Construction	4.3	Lower
Transportation and warehousing	4.7	Higher
Trade	2.1	Lower
Public sector	3.8	Higher
Service sector	1.7	No change

The serious injury rate is of particular concern, given the life-changing consequences to workers and their families when serious injuries and work-related deaths do occur. For this reason, we track the serious injury rate and dedicate efforts to address prevention of these injuries.

In 2013, our Board of Directors approved a change to the definition of the serious injury rate to better delineate the meaning of serious injury. In 2014, the current serious injury measure will be replaced with the new measure.

Serious injury rate

In 2008, WorkSafeBC developed a measure to track the most serious injuries, so we could monitor the success of our prevention strategies in this area. The serious injury rate[14] is a subset of the provincial injury rate.

For 2013, serious injury was measured as follows:

The serious injury rate for 2013 is 0.84 per 100 person-years of employment. In other words, about one-third of all 2013 claims[15] met the criteria for a serious injury.

The denominator is the number of person-years of WorkSafeBC-covered employment.

The numerator[16] includes claims with at least one of the following criteria:

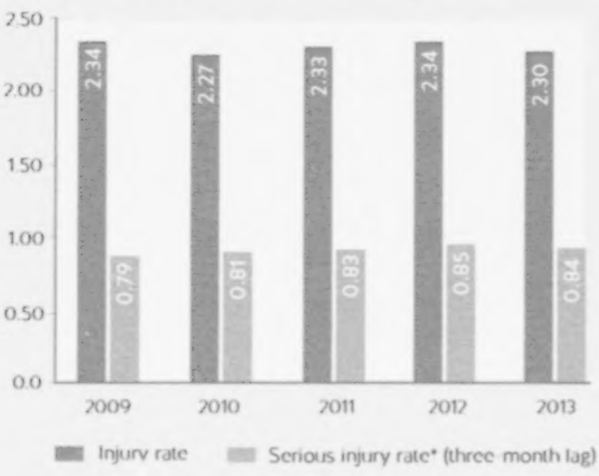
- The claimant received at least 28 days of wage-loss benefits during this period
- The claimant required extensive hospitalization or medical services[17]
- The claim involves a work-related death
- The claim met one of 275 specific diagnostic codes identified by WorkSafeBC's medical and occupational safety professionals as being the most life-threatening or life-altering conditions of those listed in the ninth revision of the International Classification of Diseases. Developed by the World Health Organization (WHO), these codes are commonly referred to as ICD-9s

For 2014, the serious injury measure has been amended to more closely align with the description of serious injuries as life-altering, and will be calculated as follows:

The numerator includes all short-term disability, long-term disability, and work-related death claims with a first payment in the year of injury or in the three months following the year of injury that meet one of the following criteria:

- Serious medical diagnosis[18]
- Potentially serious medical diagnosis[19] with a long recovery period[20]
- All accepted work-related death claims

Injury rate vs. serious injury rate



*Serious injury rate December 2013 data

Performance highlights

In recent years, the provincial injury rate has held in the 2.3 range. Any increase is of issue, so we remain vigilant to proactively identify and address potential areas of concern and address them promptly.

Unfortunately, the number of fatalities relating to occupational disease remains high. Primarily driven by asbestos-related disease resulting from worker exposure 20 to 50 years earlier, today occupational disease remains the single highest cause of work-related death in British Columbia. In 2013, it resulted in 67 fatalities, 19 fewer than in 2012, accounting for 52 percent of all worker fatalities.

In 2013, we continued supporting research, outreach, and enforcement activities to prevent incidence of new occupational disease in B.C.'s workers.

Major programs and strategies

To achieve our objective of preventing work-related injury, disease, and death, WorkSafeBC takes the following three-pronged approach:

- Consultation and education — We work with employers, workers, labour unions, and other partners to improve workplace health and safety for British Columbians
- Incentives — We provide financial incentives for workplace health and safety management systems, return-to-work programs, and demonstrated improvements to safety performance
- Enforcement — We are mandated to ensure employers comply with the *Workers Compensation Act*, the Occupational Health and Safety Regulation, and related policy. Through workplace inspections, we ensure compliance and issue written orders, warning letters, and penalties as necessary

Areas of focus

High-risk strategy and industry initiatives

Given the complex and diverse range of activities across industry sectors, our WorkSafeBC teams take a multi-disciplinary and holistic approach to addressing safety performance by making effective use of enforcement, information tools, education, industry outreach, claim management, and any other available strategies.

In 2013, under the high-risk umbrella, we focused our efforts on four primary high-risk industries[21] (construction, health care, forestry, and manufacturing) and four secondary high-risk industries (agriculture, fishing, oil and gas, and transportation).[22] We also identified and targeted specific initiatives in areas with high numbers of serious injuries and/or deaths.

Combustible dust

Following the two explosions at B.C. sawmills early in 2012, we conducted a significant industry intervention relating to combustible dust. These two devastating incidents demonstrated the immediate need for an informed and structured approach to preventing similar incidents from happening in the future. Focused and specific, our Combustible Dust Strategy includes repeated inspections that incorporate key risk criteria observed from previous consultations, field inspections, and investigatory findings.

In 2013, our core team of 10 prevention officers conducted a third round of inspections of active sawmills. In total, 249 inspections[23] were undertaken related to combustible dust regulations. Eighty-three of the 144 locations inspected were in compliance at the time of inspection and received no orders related to combustible dust. The remaining 61 employers were issued 93 orders related to combustible dust, with 11 employers receiving a total of 13 stop-work orders, due to unacceptable accumulations of secondary dust and other significant violations.

Inspections will continue to focus on the combustible dust management program, which includes the management of accumulations, safe cleaning practices, and the implementation of controls consistent with the previous phases of the strategy. This most recent round of inspections included an enhanced focus on dust collection and ventilation issues, equipment and its operation, and assessment of the dust control program's sustainability.

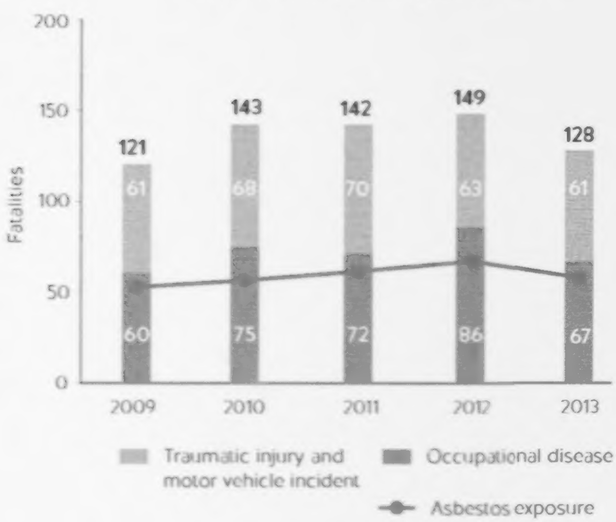
In addition, as part of the Fire Inspection and Protection Initiative (FIPI),[24] officers will begin asking employers to produce documentation to ensure their facilities are BC Fire Code-compliant.

Asbestos team

Asbestos remains the single largest cause of workplace deaths in B.C. In 2013, officers from the asbestos team continued focusing their activities on preventing workers in the residential demolition industry from being exposed to this deadly hazard. The officers' work included conducting inspections, levying penalties, initiating court injunctions, and ensuring workplace health and safety obligations were met.

In 2013, to prevent worker exposure to asbestos, WorkSafeBC also continued pursuing legal remedies, as necessary, when all other corrective remedies were exhausted. In November 2013, this resulted in $15,000 in contempt of court charges being levied by the B.C. Supreme Court against an employer who repeatedly violated the *Workers Compensation Act*. Another employer was jailed for 60 days. Several other cases are before the courts.

Work-related deaths, 2009–2013



Agricultural integrated prevention strategy

Following the work-place injury and death of mushroom farm workers in 2008, WorkSafeBC immediately initiated a focused agriculture strategy founded on compliance activities. In 2012–2013, the strategy was revised to identify the most prominent exposure categories that lead to serious injury and death; and to develop and execute an approach to reduce exposure to those risks.

Ultimately, the aim is to reduce the serious injury rate in this sector, overall.

Our revised agriculture strategy leverages the resources of the Farm and Ranch Safety and Health Association (FARSHA), as well as partnership opportunities with stakeholders. Work is also underway to create and launch a virtual Centre of Excellence for Confined Spaces in Agriculture. This online portal will provide employers and workers in the agriculture industry with much-needed information about the dangers of confined spaces, including hazard identification and safety protocols.

Marine strategy

Our marine strategy focuses on at-sea and on-dock inspections for commercial fishing. Of any industry under WorkSafeBC's jurisdiction, commercial fishing has the second-highest fatality rate per capita. From 2009–2013, 75 percent of claims (350) were considered serious. Of those, five were work-related deaths.

Ski hill strategy

Keeping workers safe on B.C.'s ski hills is challenging. Recognizing this, we developed a ski industry initiative to promote a culture of safety within the ski industry. "I work safe because ..." features posters of ski resort employees and their personal safety messages. To emphasize the safety message and get workers to share their thoughts with one another, posters were placed in areas where they gathered. Taking ski hill safety a step further, in consultation with stakeholders we redeveloped and re-published new guidelines for headgear — and specifically ski helmets.

Flagger initiative

During the past year, six roadside flaggers (also known as traffic controllers) were struck by vehicles and another seven by equipment or machinery while on the job. To raise awareness of the dangers associated with this work, we created a flagger initiative featuring a province-wide public awareness campaign. It included dedicated radio advertising to target commuters at peak drive times (see page 47 for further details). Another outreach effort saw prevention officers complete detailed on-site inspections in the Lower Mainland, focusing on set-up, planning, training, inspection, and supervision, officers also visited traffic control employers to share best practices.

Workplace bullying and harassment

Prevention policies for workplace bullying and harassment previously approved by the WorkSafeBC Board of Directors came into effect on November 1, 2013. They require that employers implement procedures to prevent or minimize workplace bullying and harassment. These prevention policies also require that supervisors and workers refrain from engaging in bullying and harassing behaviours, and report all incidents to their employer.

As part of this initiative, we developed a tool kit to provide employers with information about how to implement bullying and harassment policies and procedures in the workplace. This tool kit is available at worksafebc.com, and provides employers with guidance and template documents to help manage bullying and harassment in their workplaces, as well as guidelines for aligning workplace procedures with the new policies.

Partnerships for safety and outreach

In 2013, WorkSafeBC continued funding and supporting 13 health and safety associations (HSAs) and seven other ongoing health and safety initiatives across all major industries in B.C. We also funded nine certifying partners (eight are HSAs) to administer our Certificate of Recognition (COR) program for their industries. In 2013, there were more than 3,700 COR-certified employers.

Through these safety partners, our WorkSafeBC industry teams continue outreach through programs and initiatives to increase occupational health and safety awareness. Particular areas of focus include combustible dust, confined spaces, working at elevations, workplace bullying and harassment, and workplace violence. These partnerships offer an opportunity for employers and industry-based health and safety associations to take a proactive role in promoting healthy and safe workplaces, while making efficient use of WorkSafeBC's limited resources.

Construction partnership

In recent years, the injury rate in the construction industry has fallen. By funding and partnering with the industry's health and safety associations (HSAs), we have been able to extend our reach, while influencing a shift in the safety culture of this high-risk industry. Co-sponsored by WorkSafeBC and several construction industry associations, the annual Bridging the Gap Construction Safety conference provides participants with tools and resources to improve construction site safety, and attracts close to 200 professionals directly responsible for workplace safety. As in past years, HSA-employed regional safety coordinators completed hundreds of visits to construction sites across B.C. In addition, through the delivery of their suite of safety courses, approximately 10,000 people each year receive training that promotes safer workplaces in this industry.

Prevention and investigations business and technology project

In 2013, the first phase of the prevention and investigations business and technology project was completed. The benefits of introducing this project are far-reaching. In short, the new platform, known as WorkSafe Everywhere, will ensure cohesiveness across common business activities and processes, while providing flexible support tools and technologies that respond to current and future business and technology changes.

The second phase of this initiative will provide effective resource-targeting and enhanced field capabilities by improving the availability of strategic information, increasing mobility functions, and, ultimately improving incident inspections/investigations.

Looking ahead

The injury rate is a composite measure based on injuries occurring across all sectors and is greatly affected by issues beyond our control, so lowering the injury rate is an ongoing challenge. We expect short-term economic conditions, changes in the industry mix, and other factors to place upward pressure on this rate. Though the 2013 result was lower than target, the target will remain at 2.5 or less over the long term — which may still be challenging to achieve, and will require significant effort to sustain.

In 2014, addressing the injury rate will focus on identifying emerging issues, proactive enforcement initiatives, and partnerships with targeted employers and sectors. In particular, we will create a Safety and Health Risk Analysis Unit. It will provide strengthened intelligence and analysis capabilities that will allow us to proactively focus on risk-based projects with the highest

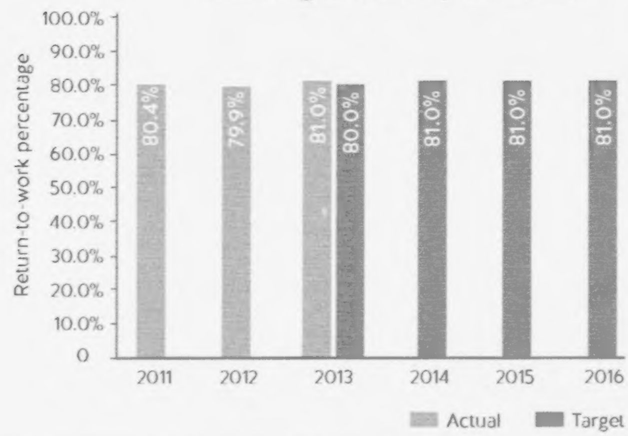
potential for life-altering injury and death. Establishing this unit will evolve our focus to include both injury and risk reduction.

To reduce workplace injury, disease, and death, WorkSafeBC will continue working with our business and labour partners to support new, young, and other vulnerable workers; address occupational disease risks; increase ownership and accountability for health and safety across all sectors; and support injury prevention education and awareness initiatives.

To ensure our safety message is reaching the province's diverse workforce. Whenever possible, information will be provided to workers in their first language.

Key objective/performance indicator #2: Improve return-to-work outcomes

Percentage of workers returning to work by 26 weeks*



* Prior-year results have been updated as a result of continuous data refresh. Current-year results are based on a refined calculation methodology. In 2012, we tracked successful return-to-work by 26 weeks as a percentage of concluded wage-loss claims within the calendar year. For 2013, we refined this metric to track the percentage of concluded wage-loss claims within the calendar year, plus current-year wage-loss claims open more than 26 weeks.[25]

Importance

This indicator, the percentage of workers returning to work by 26[26] weeks, measures the success of our early intervention initiatives, designed to assist workers in returning to their employment after a workplace incident or injury. This measure is for short-term disability claims and usually reflects a return-to-work outcome for the job, as well as the responsibilities a worker had before his or her workplace incident or injury.

From the date an employee stops working because of injury, WorkSafeBC tracks the number of workers successfully returned to work within 26 weeks.

An important foundation of this particular key performance indicator (KPI) is that a return-to-work outcome is considered successful if return to work is:

- Within 26 weeks
- Voluntary (not under objection)
- Durable (no subsequent claim activity for 30 days)

Setting targets

To set our targets for this KPI, we consider the overall economic climate. We also look at the ability of employers and workers to engage in return-to-work initiatives, undertake any workplace modifications, or participate in accommodation programs made to assist the worker in his or her return to work.

As 2012 was the first year of reporting for this KPI, there is little historical data to reliably predict future trends. Thus, based on prior-year results, current economic forecasts, and the impact of initiatives and programs, we have maintained conservative targets. Targets for 2014, 2015, and 2016 have been set at 81 percent.

Our targets have been set based on the current economic forecast of low growth, with slowly declining unemployment. This particular KPI is reviewed and adjusted annually to reflect changes in these economic indicators.

Performance highlights

In 2013, average return-to-work by 26 weeks was 81 percent. These figures reflect a flat unemployment rate. For 2014, we expect outcomes to be strengthened by new programs and initiatives still under development in 2013.

Major programs and strategies

In 2013, we continued drawing on the following strategies to assist and support injured workers in returning to work, including:

- Providing dedicated return-to-work support for the construction sector — Under the Return-to-Work (RTW) to Construction program a construction RTW nurse contacts both the injured worker and employer to explore stay-at-work options upon registration, even before adjudication has taken place.
- Participation in industry groups — Made up of representatives from industry and WorkSafeBC, the Construction Claims Management Action committee is exploring and implementing innovative RTW programs for the construction industry. The committee's goal is to improve the industry's return-to-work outcomes.
- Facilitating RTW through dedicated teams embedded within health care — Teams work with authorities in the health care sector across B.C. to provide expertise and guidance in return-to-work practices and streamlined case management, facilitating earlier return to work.
- Delivering innovative RTW models — Return-to-Work Services was created to improve the customer experience and RTW outcomes for workers with musculoskeletal injury (MSI) claims. The team is staffed by nurses with clinical and return-to-work expertise. They have decision-making authority and ownership over claims related to MSI injuries. Since its establishment in 2012, RTW Services has achieved:
  - Faster return to work for those with MSI injuries, improving RTW by 1.7 days
  - $2.2 million reduction in wage-loss equivalency payments
  - 20 percent reduction in the volume of claims directed to case managers
- Delivering a series of clinical programs — RTW Services has delivered a series of clinical programs, customized to more quickly meet the individual needs of workers. This has helped to further reduce wait times for claim processing.

Looking ahead

At WorkSafeBC, we will continue employing an intervention model that supports injured workers earlier in the claim process. Our efforts will be assisted by initiatives such as our Three Pillars of Case Management which emphasizes 15 case management best practices in developing an effective and individualized return-to-work and recovery plan for injured workers with the goal of early and durable RTW.

Also, the introduction of a newly designed service coordinator role will provide an increased level of service to injured workers, while supporting application of the Three Pillars model.

Three Pillars, the ongoing focus for delivering innovative RTW, coupled with our existing programs, is expected to deliver demonstrable outcomes for early and durable return to work in 2014 while tempering the effects of a low-growth economy on return-to-work opportunities into the future.

"This was the best fit for me. I love my job, and I love working in my trade."

— Mike Rousselle,
Sub-foreman,
Arrow Installations

Mike Rousselle's story

Conventional wisdom suggests helping injured workers return to work as soon as is reasonably possible after a critical injury is best for everyone. But, with many different factors at play, and given that every workplace injury — and every body — is different, this isn't always possible. In all cases, WorkSafeBC helps workers and employers navigate circumstances that can at times be extremely challenging for everyone involved.

For Mike Rousselle, a sub-foreman for Arrow Installations, there was what he calls the "new normal" after an on-the-job injury in 2009. After climbing a powerline in bad weather to complete a routine repair, Rousselle was electrocuted — his resulting injuries so severe he lost an arm and a leg.

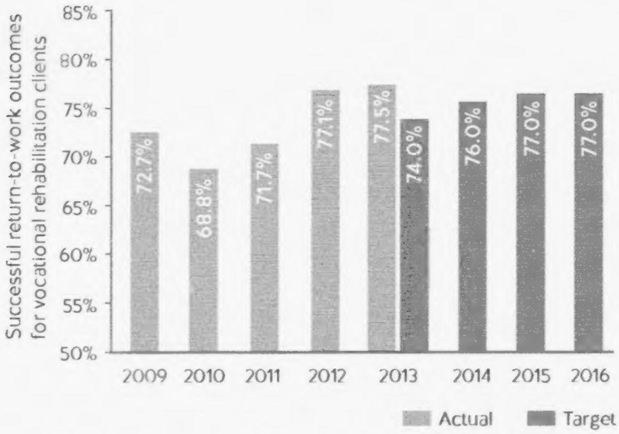
After months in rehabilitation, Rousselle was determined not to give up on his previous work. Eighteen months later, with the support of his employer, he returned to his job. Today, as a foreman with the company, he works in the office and out in the field. "This was the best fit for me," says Rousselle. "I love my job, and I love working in my trade."

Rousselle's story demonstrates how important it is, especially in the aftermath of a serious injury, for workers and employers to work together to find solutions to successfully return workers to their jobs — or modified work, if it's impossible for a worker to return to his or her pre-accident duties.

WorkSafeBC has an integral role to play in the process of returning workers to meaningful work, not only in helping provide the necessary support and guidance, but in working with employers to understand how best to manage the transition for an employee who has suffered a serious on-the-job injury, and the many facets return to work involves.

Key objective/performance indicator #3: Improve return-to-work outcomes for workers in vocational rehabilitation

Successful return-to-work outcomes*



*Based on the inverse relationship between the return-to-work outcome and the B.C. unemployment rate, the 2013 target was set at 74 percent — based on a 2012 forecast of a 6.7 percent unemployment rate. The actual unemployment rate in 2013 was 6.6 percent; the target for 2013 remains at 74 percent.

Importance

Vocational rehabilitation is about returning injured workers to work as quickly, safely, and successfully as possible following a work-related injury. This program has been designed to help those workers who are able to return to work, but due to severe or complex injuries are unable to return to the same job responsibilities they had before being injured.

Each year approximately 3,000 workers, or about five percent of those workers making a claim with us, are referred to our Vocational Rehabilitation (VR) program.

To measure the effectiveness of our efforts, we track and record the number of successful outcomes for returning workers as a percentage of all return-to-work referrals completed annually by our Vocational Rehabilitation Services (VRS) department.

Setting targets

Looking at 2014 and beyond, our target for return-to-work outcomes for workers in vocational rehabilitation has been increased to 76 percent. This revised target reflects both the success of our initiatives in recent years in returning workers to suitable employment, and B.C.'s declining unemployment rate. The target is based on an unemployment rate of 6.4 percent, and will increase to 78 percent should the unemployment rate improve to 6.0 percent. Should the unemployment rate worsen, to 7.0 percent, this target will be adjusted to 73 percent for 2014.

Setting targets for this particular KPI involves understanding that it is unlikely a score of 100 percent can ever be achieved. This is because workers referred to our VR program have often suffered complex injuries that may prevent successful return to work. It is also because workers in the VR program sometimes opt to retire rather than return to work. Because a 100 percent success rate is unlikely for this KPI, our return-to-work targets reflect our best expected outcomes based on an assessment of our current initiatives, strategies, and projected employment opportunities (assuming a relatively similar mix of claim referrals from year-to-year).

Performance highlights

In 2013, we achieved a return-to-work success rate of 77.5 percent. Against the backdrop of a B.C. economy with low employment growth, this result has shown improvement over the previous year. Vocational rehabilitation consultants (VRCs) assisted 2,637 workers returning to suitable employment, 299 more than in 2012. Of these, approximately 48 percent of workers returned to work with new employers or became self-employed.

As successful return-to-work results depend on the availability of meaningful work, for 2013, WorkSafeBC set the return-to-work target at 74 percent or more.

Major programs and strategies

At WorkSafeBC, we work closely with injured workers, physicians, employers, unions, and others to create return-to-work programs that are customized to meet the unique needs of each worker. Programs and services may include vocational counselling, return-to-work planning, worker-employer mediation, work assessment, worksite/job modification, job search and placement assistance, and help with training and education.

Whenever possible, we strive to assist injured workers in returning to work with their original employer — either in a modified version of the same job or a similar role. If this is not possible, our Employment Development and Placement tool suggests other employment options and helps our VRCs and their clients identify new job opportunities while offering employers incentives to offset the costs of hiring and training employees involved in return-to-work programs.

Looking ahead

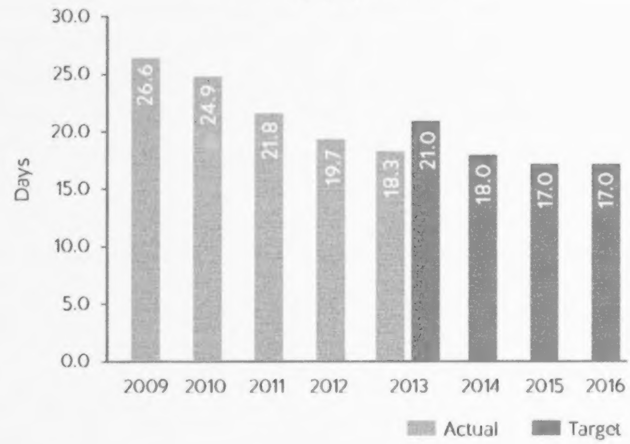
As early intervention has been shown to improve return-to-work outcomes, earlier vocational rehabilitation involvement with workers remains a priority.

In 2014, we will continue building on efforts made in 2013 to see new job profiles and other reports created for VR clients before the job search begins. This includes having a labour market/job development specialist compile key job- and market-related information, beginning with occupations most commonly accessed by our clients, in addition to actively identifying job opportunities in those same sectors as well as the skills, requirements, and specific needs for those opportunities.

Looking at return to work through an economic lens, while the province's unemployment rate improved in 2013, given the outlook for single-digit economic growth in 2014 we continue to adopt conservative return-to-work targets. As a result, in 2014 and beyond we have increased our target for a return-to-work rate of 76 percent or more — an improvement over targets published in our 2012 annual report. Accordingly, targets for 2014–2016 have been set at 76, 77, and 77 percent, respectively.

Key objective/performance indicator #4: Improve timeliness of initial short-term disability payments

Timeliness of initial short-term disability payments*



* Other factors affecting the timeliness of payments include the time required to fully diagnose and investigate occupational diseases, claims that undergo the appeals and adjudication process, and unusual circumstances that result in a delay in the adjudication process. As a result, such claims with timeliness greater than 365 days have been excluded from the KPI calculation; inclusion of these claims would result in a timeliness of 21.9 days.

Importance

For many injured workers in British Columbia, benefits provided by WorkSafeBC — an essential function of our workers' compensation system — sustain them and their families in the period between injury and return to work.

To measure when injured workers receive their first short-term disability payments, we calculate the average interval between the disablement date, defined as the first day an injured worker is entitled to wage-loss benefits, and the date of first payment. Our goal is to provide disability payments to injured workers as quickly as possible without compromising the adjudication process. However, external factors can affect the timeliness of payments. This includes any gaps workers, employers, or health care providers might take in registering the necessary claim information with us.

Setting targets

In 2009, WorkSafeBC's timeliness was 26.6 days. This was due largely to the implementation of a new claims management system and business processes which created a backlog as claims were converted to the new system. Despite more rigorous documentation requirements, timeliness has continued to improve over the years, due to our continued focus in this area.

Based on current results, the target for payment timeliness for the 2014 period has been set at 18 days and for 2015–2016 has been reduced to 17 days. Our customer surveys have suggested that more than 85 percent of our clients are satisfied if average timeliness is in the 24- to 25-day range.

Performance highlights[27]

Our performance in this area continues to get better. In 2013, timeliness improved to 18.3 days — a reduction of 1.4 days from the previous year, and 2.7 days under the 2013 target. These improvements are the result of adjustments we have made, and continue to make, that have led to more timely decision making.

Major programs and strategies

To improve initial adjudication timeliness, we have continued promoting increased use of alternate communication and information channels, including Teleclaim for workers and an online portal for employers. Use of a real-time interpretation service, enabling our clients to communicate with WorkSafeBC by phone in their preferred language, continues to increase. In 2013, the service received requests in 54 different languages, answering 14,420 calls.

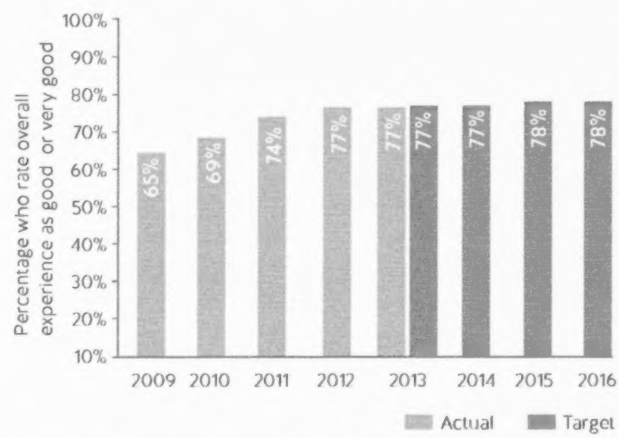
In 2013, several strategies helped improve timeliness in adjudication and first payment to workers. These included initiatives to increase specialization, which is providing more expertise in adjudication; the creation of single-point contacts for major employers to streamline the administrative process and minimize delay; and, the establishment of a medical support model to provide specific expertise related to the type of injury (causation).

Looking ahead

We will continue searching for ways to enhance the quality and service provided to British Columbia's workers and employers. Through refinements to customer service, staff engagement, and education and awareness initiatives, it is our goal to make further incremental improvements in timeliness results.

Key objective/performance indicator #5: Improve injured workers' rating of overall experience

Injured workers' rating of overall experience*



* The margin of error is +/- 4 percent, 95 times out of 100.

Importance

WorkSafeBC strives to deliver timely, caring, personalized service that meets or exceeds the expectations of injured workers. To measure our performance, eight times a year we contract market research provider Ipsos to conduct random surveys of 100 injured workers. These surveys gauge their impressions of our organization and the service provided by WorkSafeBC staff.

The main indicator of success is how injured workers rate their overall experience with us, a measurement covering the following range of responses: very poor, poor, average, good, and very good. This KPI is expressed as the percentage of injured workers who rate their experience as good or very good.

Setting targets

WorkSafeBC is mandated to provide fair compensation for workplace injury, disease, and death within boundaries set by law and policy. Given the adjudicative nature of what we do, it is unlikely all injured workers will agree with every decision made about their claims.

Another factor that can significantly affect this KPI stems from the fact that returning injured workers to employment can be more challenging in complex claims, which typically involve many different WorkSafeBC functions and levels of expertise. In such cases, it is unrealistic that all injured workers would rate their overall experience with us as good or very good.

While we are steadfastly committed to delivering excellent service, always, based on recent and past results we estimate peak performance for this KPI at about 78 percent.

Performance highlights

In 2013, 77 percent of injured workers rated their overall experience with WorkSafeBC as good or very good. First achieved in 2012, this result continues to represent the highest score our organization has ever earned from injured workers.

The survey results break down as follows:

	2012	2013
Initial adjudication	87%	85%
Entitlement	79%	80%
RTWS	—	84%
Case management	77%	76%
Disallowed	33%	29%

Injured workers in the initial adjudication stage of the claim process gave WorkSafeBC the highest overall experience score, with a rating of 85 percent, compared to 87 percent in 2012. In the entitlement phase, a later stage in the claim process, 80 percent of injured workers with allowed claims rated their experience with us as good or very good, up from 79 percent the year before. The relatively new return-to-work specialist-nurses stage was not measured in 2012; in 2013, 84 percent of injured workers rated their experience as good or very good at this stage of claims processing.

In case management, which deals with the most complex claims, 76 percent of injured workers rated their experience as good or very good, down from 77 percent in 2012. Finally, 29 percent of injured workers with disallowed claims rated their overall experience as good or very good, down from 33 percent in 2012.

The majority of injured workers rating their experience with us as good or very good said it was because WorkSafeBC was easy to work with, service was efficient, communication was responsive, and clear explanations were provided. Among those rating their overall experience with us as average, poor, or very poor, the two main reasons they gave were difficulty working with our organization and lack of communication.

Major programs and strategies

In 2013, we enhanced our Claims Management Solutions (CMS) systems by introducing CMS 2.0, which included refinements to improve the quality, efficiency, and overall functionality of claim processing.

We also built on our efforts under the Service Promises Initiative. Introduced in 2011, this has involved engaging staff to identify the best service practices within each business process. In 2013, we furthered this initiative by:

- Completing workshops for case managers in our four remaining area offices (workshops were completed in the 2011–2012 period at our other 10 offices)
- Adapting workshops for entitlement officers in all regions of the province
- Piloting a workshop for team assistants in one area office

In 2014, we will continue to build, measure, coach, and mentor as we pledged to do through our Service Promises Initiative — part of our commitment to being accountable to our clients. One way we will do this is by further adapting workshop components so they can be delivered to vocational rehabilitation consultants (VRCs) and other claims staff.

In addition to these efforts, we also made enhancements to further improve our business processes.

In 2013, this included training more staff in the relatively new position of return-to-work specialist-nurse, also known as RTWS-nurse. This position was created in 2012 to give the members of our nursing team claim ownership and decision-making authority for cases involving musculoskeletal injuries (MSIs). By consolidating several functions into one role, not only have we reduced transfers between claim officers, but we have helped injured workers with claims of shorter duration access claims services more quickly.

In 2014, we will add service coordinators to our team; first introduced in 2011, they will enhance the level of care and service for injured workers by providing timely decision making around medical aid. They will also take on greater decision-making authority in administrative areas that impact injured workers, such as coordinating travel arrangements.

In addition to these advancements, a main area of focus for 2014 will be our Three Pillars of Case Management initiative, which will refine our approach to the three fundamental elements of the claim process: planning, relationships, and quality. Three Pillars emphasizes:

- Improved return-to-work planning for workers and employers
- Strengthened relationships between WorkSafeBC and injured workers and their employers through further partnership and cooperation
- Enhanced quality of service and adjudication

In 2012–2013, based on the Three Pillars approach we developed 15 best practices for case managers. In 2014, we will provide further training on these practices while building greater accountability into our Claims Management Solutions systems to ensure these practices are applied consistently.

Looking ahead

Though the provincial economy has experienced a slowdown in growth, which began in the second half of 2011, recent forecasts project a stronger pace of economic expansion of more than two percent beginning in 2014. If, because of this expansion, incoming claims rise faster than expected, our return-to-work staff will have less time to address the needs of individual workers. We will continue monitoring trends as they develop to ensure our staff, training, and resources are well-positioned to meet the service requirements of injured workers.

Overall, taking these and other factors into account, in 2014 we will aim to maintain our service score of 77 percent of injured workers rating their service with us as good or very good, while targeting a 78 percent score for 2015 and 2016.

"We are committed to bettering the health and safety of our foundries."

— **Brad Vanderlinde,**
Vice-president,
Pacific MAKO

Industry feedback results in classification change

In a second-generation family business, Brad Vanderlinde grew up learning the hazardous nature of the foundry industry from an early age. The industry as a whole is working to improve worker health and safety, however with growing incident rates, foundries were notified their industry was being moved into a higher-risk rate group for the coming year.

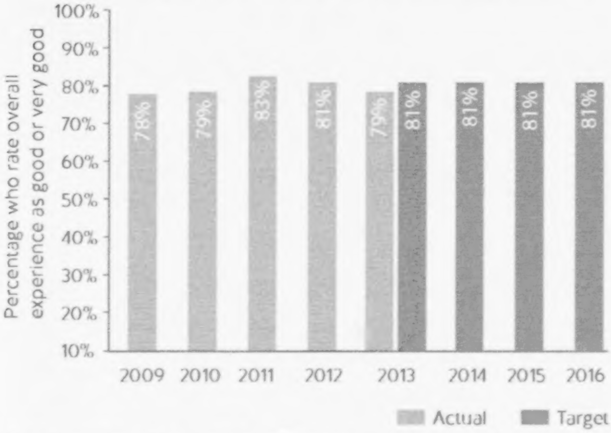
Vanderlinde, vice-president of Pacific MAKO, reached out to one of our Industry and Labour managers to outline the differences within the foundry industry. Based on his input, WorkSafeBC engaged in further research such that our Employer Classification Committee ultimately recommended the industry be reclassified to differentiate between ferrous and non-ferrous foundries. Through discussions and research it was determined non-ferrous foundries pour metal at much lower temperatures, in smaller amounts, and into lighter castings, reducing the risk of burns and musculoskeletal injury (MSI).

This reclassification resulted in non-ferrous foundries moving to a lower-risk classification and ultimately a lower premium rate, "a change that has directly impacted our bottom line," states Vanderlinde. "[WorkSafeBC] listened to our concerns, investigated the difference, and implemented the change."

Brad Vanderlinde and other partners in the industry are committed to bettering the health and safety of ferrous and non-ferrous foundries alike.

Key objective/performance indicator #6: Improve employers' rating of overall experience

Employers' rating of overall experience*



* The margin of error for 2013 is +/- 2.2 percent, 95 times out of 100.

Importance

WorkSafeBC is committed to providing excellent customer service to employers through its core functions of prevention, assessment, and compensation. To measure our performance in these areas, as we've done in previous years, we contracted market research provider Ipsos. In 2013, Ipsos surveyed 2,000 employers[28] with two or more claims in the previous 12 months.

For WorkSafeBC, employer ratings of their overall experience with our organization serve as a key success indicator. This KPI correlates directly to employer experiences with the claim process, inspections, and premiums. They rate their overall experience with us as very good, good, average, poor, or very poor. We then determine success based on the percentage of respondents rating their overall experience as good or very good.

Setting targets

In setting targets, we consider past performance as well as any anticipated operational challenges resulting from current or future economic environments. Such challenges could include changes in business processes, rates, claim volumes, staff availability, or other factors. Taking these considerations into account, and WorkSafeBC's mandate as a regulatory and adjudicative body, we have estimated our aggregate peak performance will be about 83 percent of employers rating their overall experience with us as good or very good.

Over the long term, this target is generally within reach. But in the short term, our target-setting must adjust for factors that might influence the target, such as price. For example, when employers receive two consecutive premium increases, as they did in the past two years, they are less inclined to give us a good or very good rating on their premium rates compared to other jurisdictions. Nonetheless, in 2013 we set our target at 81 percent of employers rating their overall experience as good or very good.

Performance highlights

In 2013, 79 percent of employers rated their overall experience with WorkSafeBC as good or very good. In gathering feedback from employers, businesses of different sizes have different needs and expectations; survey results are broken out by business size, so we may better understand employers' experiences. While ratings from small employers dropped four points from the previous year to 77 percent as good or very good, those from medium-sized employers rose slightly in 2013 to 82 percent (compared to 81 percent in 2012). Meanwhile, ratings from large employers declined slightly for 2013, to 79 percent, down from 80 percent the previous year.

As part of the survey process we start our measurement broadly, then look for specific attributes that make up the components of the experience. Thus, the first survey question reads: "*Taking everything into account, how would you rate your overall experience?*" Following that aggregate measure, we then look at premiums, the claim process, overall return to work, payroll reporting, workplace inspections, and our assessment-related call centre, the Employer Service Centre. When comparing results between 2012 and 2013, the survey company has noted that any increase or decrease must be by at least five percentage points to be statistically significant at the 95 percent level of confidence.

When surveyed about premium costs, 86 percent of employers said they received average, good, or very good value for their premium payments in 2013, up one point from 2012.

In claim processing, the aggregate mark was one point better, with 73 percent rating the overall claim process

as good or very good, compared to 72 percent in 2012. With 79 percent of employers rating our claim staff as good or very good, the category of claim staff was rated higher than the claim process itself.

When rating inspections, 71 percent of survey respondents rated overall inspections as good or very good, unchanged from 2012. WorkSafeBC prevention officers were rated higher, as were the attributes associated with their inspections. Overall, WorkSafeBC prevention officers received a rating of 80 percent good or very good.

Like the pattern for claims staff and prevention officers, the evaluation of the WorkSafeBC staff within the Employer Service Centre received higher marks than the Centre itself. When reviewing the Employer Service Centre, 93 percent of employers rated the attribute of courteous representatives as good or very good, consistent with the very high rating they provided in 2012.

Four survey areas showed a statistically significant decline in looking at results from 2013 compared to 2012:

- The attribute of "statements and forms being easy to understand" was down five points; 80 percent of employers provided a good or very good rating in 2013, compared to 85 percent the previous year.
- "Claims staff being familiar with employers' industries" fell six points, from 68 percent in 2012 to 62 percent in 2013.
- "Developing a return-to-work plan that meets business needs" dropped from 64 percent in 2012 to 55 percent in 2013.
- Finally, "premiums being competitive with other provinces" was down nine points; 93 percent of employers scored that attribute as positive in 2012, while the 2013 score was 84 percent.

Major programs and strategies

In 2013, WorkSafeBC consulted with employers, provided education and support, and maintained partnerships aimed at improving safety, lowering claim duration, and reducing claim costs.

Specifically, at the program level, we launched an initiative called Key Account Performance Consulting (KAPC) with large employers. We also conducted dedicated focus groups with small employers. KAPC is ensuring that WorkSafeBC personnel connect to the right people at the right time for large employers with safety and cost challenges. Account managers in the KAPC program build relationships, improve performance, and create processes that are tailored to the needs of this uniquely challenged group of employers. In sum, both efforts have been about improving the value WorkSafeBC provides to these two employer groups.

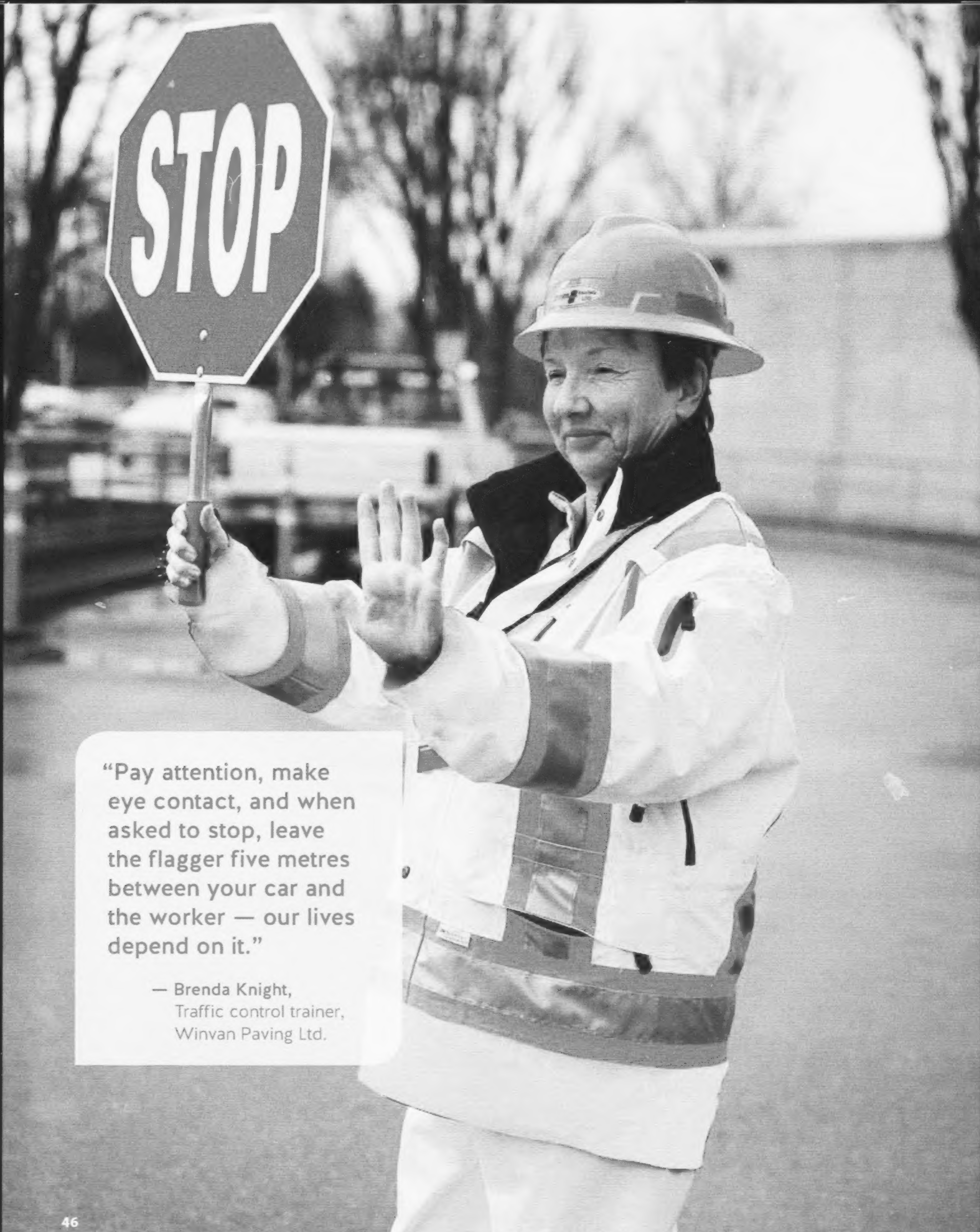
Looking ahead

In 2014, we will focus our return-to-work services on five major sectors: health care, construction, forestry, mining, and municipal government. We will also provide dedicated claim teams for the 75 largest employers in the province. Through our Industry and Labour Services (ILS) department, we will offer consulting services in disability management to employers experiencing challenges in this particular area of return to work. By this time the KAPC program will be past its launch and planning stage, with outcomes to evaluate.

By putting these and other strategies into place we can address two of the service attributes employers identified in 2013 as needing significant improvement, and over which WorkSafeBC can allocate resources and training, namely "developing a plan to meet business needs" and "staff being familiar with your industry." For the third survey area showing a statistically significant decline in 2013, "forms being easy to understand," our forms and processes are being reviewed in 2014 with a goal of making them easier to understand and more accessible for employers.

In 2013, the final area surveyed that saw a statistically significant decline over the previous year's results was "rates competitive with other provinces." After nine years of premium decreases leading into 2013, the average base premium rate will increase, for the second consecutive year, in 2014. If investment returns remain strong throughout 2014, and surpluses increase, we may be able to mitigate upward pressure on premium rates in 2015.

While addressing statistically significant areas of service, we must maintain the high marks we received in other areas of claim processing and workplace inspections, and resolving assessment issues. Taking into account all these factors, we are setting our target for this KPI at 81 percent of employers rating their experience with us as good or very good over the next three years.



"Pay attention, make eye contact, and when asked to stop, leave the flagger five metres between your car and the worker — our lives depend on it."

— **Brenda Knight,**
Traffic control trainer,
Winvan Paving Ltd.

Teaming up with VPD for flagger safety

WorkSafeBC is committed to the safety of British Columbia's workers, wherever they work. Across many different industries and thousands of professions, being proactive and promoting worker safety usually involves taking a common-sense approach. Often, it also involves strategic partnerships.

We partnered with the Vancouver Police Department (VPD) in 2013 to protect roadside construction-site traffic controllers — also known as flaggers — to raise awareness of the dangers associated with roadside work.

VPD officers went undercover as flaggers within construction zones and handed out tickets to drivers for various infractions. The majority of tickets issued were to drivers on their cell phones, others included red light violations, disobeying traffic direction signs, and speeding.

Flaggers are responsible for keeping traffic moving smoothly through construction zones to ensure the safety of on-site workers and the commuting public.

All too often, flaggers are injured by drivers who might not see them or are distracted.

Between 2008 and 2012, 51 flaggers were hit and injured by motor vehicles while on the job, with nearly 60 percent of those collisions resulting in serious injuries. The traffic controller industry is made up primarily of women who represent 79 percent of the workers in this sector. Injuries to flaggers resulted in an average 167 lost workdays.

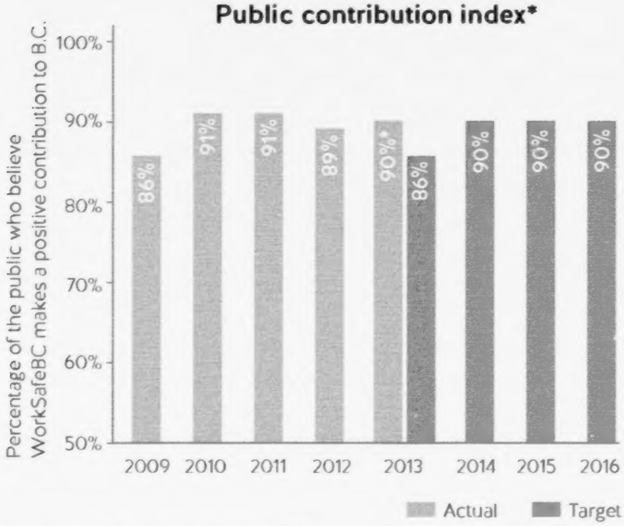
When driving through work zones, traffic controller trainer Brenda Knight asks drivers to, "pay attention, make eye contact, and when asked to stop, leave the flagger five metres between your car and the worker — our lives depend on it."

How is this new initiative helping keep flaggers safer in their work?

In short, by increasing enforcement around construction zones in the city, targeting speeders, as well as distracted and aggressive drivers. It's all about raising awareness and promoting worker safety. By imposing fines and alerting motorists to the hazards flaggers face, reckless drivers should get the message loud and clear.

This initiative and partnership with the VPD will continure in 2014. By working together and taking steps to protect flaggers from harm, everyone wins.

Key objective/performance indicator #7: Raise public confidence



*The margin of error is +/- 3.5 percent, 95 times out of 100.

Importance

Across the province, WorkSafeBC strives to be recognized by stakeholders and the public as a valued partner in shaping a safety culture in the workplace. We rely on the trust and support of the larger community to improve workplace health and safety and return-to-work outcomes for injured workers. As an organization, increased public confidence in us and the work we do allows us to deliver our health and safety message more effectively, while building lasting partnerships with workers, employers, unions, safety associations, and other workplace participants.

To measure public confidence, we contract Ipsos to query approximately 800 British Columbians randomly at least four times a year, using a survey called the Public Contribution Index. The survey highlights how respondents view WorkSafeBC and our overall contribution to the province. For this reporting year, approximately 3,200 residents were surveyed in March, June, September, and November.

This KPI calculates the percentage of those who rate WorkSafeBC's contribution as very or somewhat positive.

Setting targets

We believe that to be a leader of prevention, rehabilitation, and return-to-work initiatives, we require a high level of credibility. This point is worth underscoring in that each slight increase in the Public Contribution Index suggests greater public confidence and trust in our organization.

We set targets based on our most recent results, as well as the effects of external factors, with a focus on long-term improvement. This particular measure is especially sensitive to high-profile media coverage that may arise at any time. As a regulatory and enforcement agency, it is inevitable that actions or decisions by our organization will occasionally be perceived negatively. Such negative perceptions can and do drive down results for this measure.

Past experience and advice from the survey firm suggest that scores of 85 percent and above are rare among public regulatory organizations. Recent trends indicate a sustained higher-than-target rating. Therefore, we have set 90 percent as the threshold target though 2016. We are committed to maintaining this new threshold, while looking at new measures that may provide a more robust understanding of public perceptions. We will evaluate any potential adjustments to this KPI accordingly.

Performance highlights

In 2013, at 90 percent positive, WorkSafeBC's average public contribution rating remained high — well exceeding the year's 86 percent target. Of the 3,219 British Columbians who responded to our four surveys in 2013, 2,913 respondents said WorkSafeBC is making a somewhat or very positive contribution to the province.

Major programs and strategies

WorkSafeBC's public contribution rating is not associated with a specific group of programs or initiatives. Rather, it measures British Columbians' perceptions of all aspects of our organization. That includes: prevention initiatives; claim management and adjudication; worker and employer education; return to work and rehabilitation programs; customer service; financial stability; communications; and more. This said, the rating is a reflection of all our activities, summarizing the degree to which we are viewed — and valued — as contributing to society.

Over many years, WorkSafeBC's extensive public awareness campaigns have likely contributed to our increasingly strong public contribution rating. In 2013, a variety of programs and activities supported our goal of increasing awareness and changing workplace safety behaviours. They included:

- Implementation of key workplace bullying and harassment policies
- Our participation in 32 Day of Mourning ceremonies across B.C., as well as four parades, reaching more than one million people
- A traffic controller public awareness campaign that included radio spots throughout the province and targeted enforcement by RCMP and municipal law enforcement to create public awareness and help reduce incidents and fatalities involving traffic controllers
- Our young workers' speaker program, which reached 20,074 people at 477 presentations throughout B.C.
- Multicultural safety campaigns, designed specifically to reach Punjabi and Mandarin-speaking workers
- Our partnership with Preventable — The Community Against Preventable Injuries

These are just a few of many initiatives that contributed to our overall Public Contribution Index score.

Looking ahead

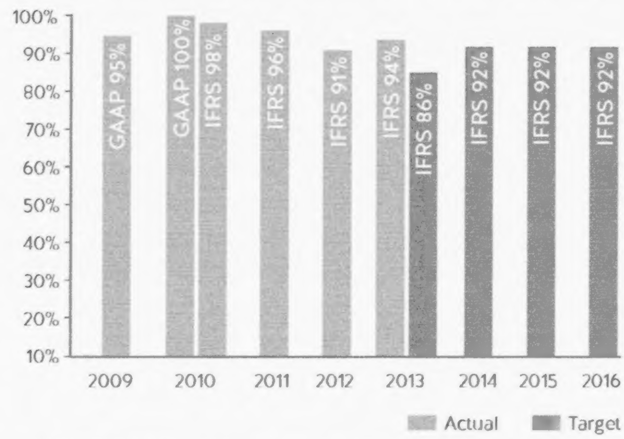
In 2014, WorkSafeBC will continue creating targeted and impactful campaigns to capture the attention of our stakeholders and the public, striving to change workplace safety attitudes and behaviours across all high-risk industries and demographics. By researching and analyzing their service experiences with us, we will aim to build greater understanding of the needs of workers and employers. We will continue looking at new and different measures to understand their perceptions in order to continue making a difference in the lives of British Columbians. In turn, we will enhance our existing safety programs, products, and services, or create new initiatives as required, so we can have an even greater impact on our stakeholders — thereby creating a more positive service experience, one worker, one employer, one workplace at a time.

Ultimately, these efforts may further improve public perceptions of our organization, showcasing the extent to which we value the health and safety of the workers and employers of British Columbia.

Key objective/performance indicator #8: Achieve 100 percent of the target asset level

Note: The calculation of this performance indicator has been modified for 2013. For comparison to 2012, see Appendix B, page 140.

Percentage of target asset level achieved*,**



* The figures in the table above are based on International Financial Reporting Standards (IFRS), adopted by WorkSafeBC beginning in 2011 (with retrospective adjustment to January 1, 2010). Comparative figures for 2009–2010 are based on Canadian generally accepted accounting principles (GAAP) in place through 2010.

** The figures in the table above include a provision for latent occupational disease liability (LODL), a new requirement mandated by the Actuarial Standards Board (Canada), and adopted by WorkSafeBC in 2013. Additionally, in 2013 the WorkSafeBC Board of Directors approved a change in the definition of the target Capital Adequacy Reserve (CAR) from 160 percent of the minimum capital required to 150 percent of the minimum, less the Other Reserves. For more details on this change, see Appendix B, page 140. Liabilities for 2009–2012 have been restated to include an LODL provision, and the percentage of Asset Levels achieved for prior periods have been adjusted to reflect the change in the CAR definition.

Background

WorkSafeBC determines its funding adequacy by measuring actual assets on hand against a target asset level:

Actual Assets ÷ Target Assets

Actual assets are the total assets held by WorkSafeBC, as shown in the consolidated statement of financial position (see page 82).

The target asset level is calculated by adding the following three components:

- Total liabilities
- The various categories of reserves appropriated, as described in Note 11 of the consolidated financial statements (see page 124), excluding the Capital Adequacy Reserve
- The target level of the Capital Adequacy Reserve[29] (see Note 11 of the consolidated financial statements, page 125)

This is a variation of the method other Canadian workers' compensation boards and the Association of Workers' Compensation Boards of Canada (AWCBC) use to measure funding adequacy, given that other organizations use only their liabilities as a denominator. Using the AWCBC method and, according to the most recent data available (2012), WorkSafeBC ranks near the median-funded position of all workers' compensation boards in Canada (see Appendix A, page 138).

Importance

As an insurer, WorkSafeBC has significant fiduciary responsibilities, including ensuring the compensation system remains financially viable — which is crucial for injured workers. Achieving this objective requires targeting an asset level that is sufficient to fund all future expected payments for current claims, while considering the inherent risks in existing assets and liabilities. Strong capital reserves serve the interests of employers by dampening the rate volatility that would otherwise arise from fluctuating returns on investments and/or unforeseen costs beyond those assumed in the liabilities.

WorkSafeBC invests in a balanced portfolio (see Financial Context, page 16) that includes equity investments which are expected to generate higher, long-term returns. Higher returns allow lower long-term net employer premiums, but are subject to greater short-term swings in market value. Similarly, because WorkSafeBC's liability payments are long-term in nature, they are subject to potential changes in environmental factors[30] or policies, some of which could result in major cost increases. When either of these risks occur — a significant downturn in equity values or significant unanticipated costs — WorkSafeBC can draw upon capital reserves to limit employer premium rate increases.

Setting targets

The long-term target for this performance indicator is 100 percent of the target assets. We work toward this funding level by setting aside funds in the Capital Adequacy Reserve in financially good years. At this long-term funding level, we will have a sufficient capital reserve to withstand the risks inherent in the assets and liabilities (see Note 11 of the consolidated financial statements, page 125).

For 2014–2016, the target has been set at 92 percent. Each year, WorkSafeBC develops targets for the next three years by projecting likely financial results while considering factors such as expected investment returns and inflation, injury rate and claim duration trends, and the likely outcomes of current strategies.

The targets for 2014 and 2015 published in the *2012 Annual Report and 2013–2015 Service Plan*, of 81 percent, are not comparable to the figures shown above because the calculation for this performance indicator was modified for 2013 (for a comparison to the indicator used in 2012 see Appendix B, page 140).

While 100 percent is the long-term target, values in any given year may rise above or fall below this long-term target level, particularly as equity markets rise and fall. Since the 100 percent target level includes substantial reserves, and since the current and targeted levels for this measure over the next three years (2014, 2015, and 2016) still equate to an expected funded level of about 121 percent of assets over liabilities (the comparative AWCBC measure),[31] we are confident the published target amounts reflect the system's continued viability.

Performance highlights

At 2013 year-end, WorkSafeBC's actual assets were 94 percent of the target value of assets required. A detailed calculation of this KPI is shown in the following table.

	As of Dec. 31, 2013 ($ millions)	As of Dec. 31, 2012 ($ millions)
Actual assets	**$14,472**	**$13,160**
Liabilities	$11,615	$11,132
Target Capital Adequacy Reserve*	$3,189	$2,678
Other reserves	$590	$590
Target assets	**$15,394**	**$14,400**
KPI #8 (actual assets/ target assets)	94%	91%

* For more information on the Capital Adequacy Reserve, see Note 11 of the consolidated financial statements on page 125.

The increase in this KPI reflects an increase in the level of capital, made up of the unappropriated balance, accumulated other comprehensive income, and reserves (equals actual assets less liabilities). The unappropriated balance increased as a result of the 2013 surplus from operations. Accumulated other comprehensive income increased as a result of actuarial gains on employee benefit plans. Decisions made in earlier years regarding investment and reserve policies built up our level of capital, buffering WorkSafeBC from losses, including the full effect of declining markets in 2008, which saw an investment loss of 8.2 percent.

Major programs and strategies

To move toward an asset level of 100 percent of the target assets, WorkSafeBC strives to apply sound investment policies and practices, prudently manage the employer assessment process, and reduce claim costs by helping B.C.'s industries achieve lower injury rates and higher return-to-work rates.

WorkSafeBC maintains a conservative, diversified investment portfolio to provide solid investment returns without undue risk to the system. By applying this prudent approach, we provide reasonable assurance that, in the long term, investment returns will cover inflationary increases to claim benefit liabilities.[32]

The workers' compensation system relies primarily on employer premiums as a key income source. To ensure timely and accurate collection of employer premiums, we work closely with employers to verify estimated payrolls, confirm receivable amounts, collect overdue accounts, and educate employers about their payment obligations and potential savings opportunities. WorkSafeBC also investigates employers that default on their payments and may initiate proceedings against these employers, resulting in administrative penalties or court-imposed sanctions.

Claim costs relating to injured workers account for approximately 96 percent of all liabilities. WorkSafeBC acts in partnership with workers, employers, safety associations, unions, and other key stakeholders to reduce the incidence of occupational injury, disease, and death (see KPI #1, page 28). When these incidents do occur, we try to resolve claims quickly, safely returning injured workers to lasting employment — strategies that greatly impact claim cost reductions (see KPIs #2 and #3, pages 33 and 37, respectively).

Looking ahead

Among other factors, this KPI is based on the market value of our assets (the numerator of the benchmark ratio). Thus, a certain level of volatility can be expected in the future as equity markets continue rising and falling. WorkSafeBC's Board of Directors considers the financial stability and sustainability of the workers' compensation system a key priority. Consequently, we set assessment rates using smoothed accounting rather than fair value accounting. This approach dampens the volatility (in both market and metrics) referred to above (see Financial Context, page 16). According to WorkSafeBC policy, we will draw on our Capital Adequacy Reserve as required to limit year-to-year premium rate increases for employers.

Financial sustainability and security will be achieved by maintaining an adequate level of capital, through collection of assessments and prudent investment of the Accident Fund. Targets for this KPI, set through 2016, reflect future investment returns that are expected to be less robust than the average returns over the last

10 years. In 2013, WorkSafeBC began recognizing a liability for long-latency occupational disease (LODL), which increased the liability by $342 million — a consideration incorporated into our established targets (see Note 2 of the consolidated financial statements, page 87).

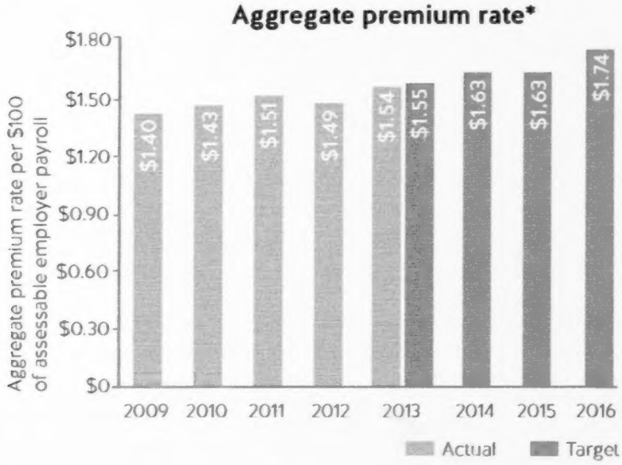
Given these factors, we anticipate continuing to draw down on the Capital Adequacy Reserve from 2014 through 2016 to dampen year-over-year rate increases.[33] We also anticipate an operating loss for 2014. Thus, we expect a decrease in this KPI in 2014.

To maintain performance levels in this area, we manage administrative costs, work with employers to reduce injuries and improve return-to-work outcomes, and apply a prudent investment strategy.

However, striving for the long-term goal of 100 percent of the target asset level depends largely on obtaining investment returns in excess of actuarial assumptions. In years when returns outperform assumptions, we usually expect to move closer to our ultimate target of 100 percent. Since it is impossible to accurately forecast short-term financial market fluctuations, such outperformance is not built into our 2014–2016 targets.

Key objective/performance indicator #9: Attain an aggregate premium rate between $1.25 and $2.25[34]

Aggregate premium rate*



* Rates shown are final for 2009–2012 and estimated for 2013–2016.[35] The $1.49 rate shown for 2012 has been updated from the $1.48 rate published in the *2012 Annual Report and 2013–2015 Service Plan*.

Importance

At WorkSafeBC, premiums we collect from employers cover the costs associated with operating the workers' compensation system. In exchange for funding the system, employers are protected from lawsuits arising from work-related injury, disease, and death. Meanwhile, workers receive no-fault insurance to protect them from economic hardship caused by work-related injuries or diseases.

The aggregate premium rate is defined as:

(Annual assessments ÷ annual assessable payroll) x 100

Employer premiums vary depending on the cost of claims in the employer's specific industry sector and the value of WorkSafeBC's total assets, but we aim to maintain an aggregate premium rate of between $1.25 and $2.25 per $100 of assessable payroll. If this rate goes above $2.25 it can place excessive financial strain on employers; if the rate dips below $1.25 it can weaken the long-term financial sustainability of the system.

Setting targets

Across Canada, 2013 base premium rates ranged from $1.12 to $2.75 per $100 of assessable payroll, averaging around $1.96 (see Appendix A, page 139). This variation is attributed to the different mix of industries, benefits provided, funding levels, and rules of coverage. Given these and other differences across jurisdictions, WorkSafeBC's target range of $1.25 to $2.25 is still considered optimal. If the injury rate declines and injured workers are returned to work quickly, costs will drop — also reducing pressure on premiums.

Performance highlights

The 2013 average (aggregate) premium rate collected from employers in B.C. was $1.54 per $100 of assessable payroll, an increase of 3.4 percent from the 2012 aggregate rate of $1.49. This increase in the aggregate premium rate is in line with the increase in the 2013 published base rate of $1.63, from the 2012 level of $1.54. WorkSafeBC's 2013 base premium rate of $1.63 is well below the $1.96 average for Canada

(see Appendix A, page 139). Overall, in 2013 base premium rates increased for 65 percent of B.C.'s registered employers while declining or remaining unchanged for the other 35 percent.

Major programs and strategies

Claim costs largely drive the aggregate premium rate. To reduce claim costs, WorkSafeBC acts in partnership with employers, workers, and other key stakeholders to strengthen workplace health and safety; reduce the incidence of workplace injury, disease, and death; and assist workers in safe and durable return to work as soon as possible following injury. Our prevention activities include educating and consulting with workers and employers on key health and safety issues, forging partnerships with industry associations to reduce workplace injury and illness, and reaching out to high-risk industry sectors and particular groups such as young workers.

Prevention of injury and illness is the first — and best — strategy for reducing claim costs, but when injuries do occur, the single biggest factor affecting claim costs is timely return to work. WorkSafeBC employs various strategies and programs to reduce injury rates and return injured workers to employment in a safe and timely manner (see KPIs #1 and #2, pages 28 and 33, respectively). Thanks to the efforts of employers and training organizations, with the support of our vocational rehabilitation consultants, most workers referred to our vocational rehabilitation program are successful in returning to work (see KPI #3, page 37).

Looking ahead

In 2014, the estimated aggregate premium rate is expected to increase to $1.63 per $100 of assessable payroll from the 2013 level of $1.54. This 2014 rate increase is primarily due to the increase in long-term disability and health care claim costs and the recovery of rate group deficits[36] in recent years, largely attributed to increasing claim costs. In 2014, base premium rates will increase for 77 percent of B.C.'s registered employers, while declining or remaining unchanged for the remaining 23 percent. On average, rates are expected to rise through 2016.

The target rate for 2015 ($1.63) is lower than the corresponding target shown in last year's annual report ($1.81). The main reason for this decrease is the re-evaluation of assessment income underlying the 2015 target rate. Forecast 2015 assessments are now lower than those estimated in 2012. This is mostly due to lower 2014 rates when compared to those estimated in 2012. The 2014 rates serve as the reference point for the 2015 rate calculation. The 2014 rates were lower primarily due to a special 10-percent limitation on increases for individual classification units. This special limitation was not anticipated in the projections shown in last year's annual report.

Any future reductions in base premium rates would depend primarily on a lower injury rate and/or a higher return-to-work rate for injured workers. Premium rate reductions could also result from favourable changes in external factors such as improved financial market performance or shifts in the general mix of workers and businesses participating in the B.C. economy.

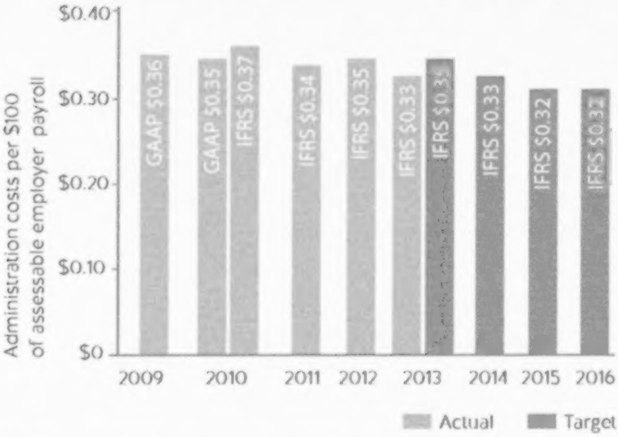
Looking ahead, we are expecting relatively stable injury rates and continuing low inflation. However, due to low bond yields and economic uncertainty in most major markets, near-term future investment returns are expected to be relatively low compared to recent years. Somewhat offsetting lower investment returns and other economic risks, we will continue refining and enhancing our prevention initiatives, return-to-work programs, financial investment strategy, and other activities that either directly or indirectly influence premium rates. Taking these factors into consideration, we are forecasting a flat average premium rate of $1.63 for 2015 and a moderate increase to $1.74 for 2016.

The reasons for the forecast premium rate increase in 2016 are twofold: the cost of new injuries is projected to rise, and the deficit position of the rate group balances[37] is projected to deteriorate. Our rate-setting methodology requires that we recover deficits through higher premium rates paid by affected employers.[38] For supplementary information about our published base rates and final aggregate premium rates since 2007, visit worksafebc.com.

Finally, it should be emphasized that the 2016 target of $1.74 is heavily influenced by future investment returns. While costs can be reasonably estimated, investment returns are difficult to predict and thus could vary significantly from assumptions.

Key objective/performance indicator #10: Control administration costs[39]

WorkSafeBC's administration costs per $100 of assessable employer payroll*



*The figures in the table above are based on International Financial Reporting Standards (IFRS), adopted by WorkSafeBC beginning in 2011 (with retrospective adjustment to January 1, 2010). Comparative figures for 2009–2010 are based on Canadian generally accepted accounting principles (GAAP) in place through 2010.

Importance

WorkSafeBC aims to provide value to our stakeholders by delivering the highest level of service in the most cost-effective manner. One way we measure our administrative efficiency is by calculating our annual administration costs per $100 of assessable employer payroll. Other workers' compensation organizations across Canada also use administration costs as a key statistical indicator, based on a common definition of administration costs with adjustments to allow for operating and legislative differences (see Appendix A, page 139). A common definition[40] of administration costs is provided by the Association of Workers' Compensation Boards of Canada (AWCBC), with adjustments made to allow for operating and legislative differences (for example, administration costs for prevention and review functions are excluded). By calculating our annual administration cost ratio, we can compare and monitor the costs of administering British Columbia's workers' compensation system with other jurisdictions.

Setting targets

In setting targets for our administration cost ratio, we balance the need to remain cost-effective with maintaining high service levels for both workers and employers.

Both internal and external factors affect our performance and decision making in this area. Internally, for example, a decrease in the number of WorkSafeBC employees performing claim-related work could lower our administration costs. But such a reduction could also trigger longer rehabilitation times and lower return-to-work outcomes for injured workers, likely increasing claim costs by more than the administration costs we would save. Meanwhile, externally, an improved B.C. economy could lead to an increase in the province's total assessable payroll, which would decrease WorkSafeBC's ratio of administration costs per $100 of payroll. In the same way, a decline in economic growth could have the opposite effect.

Given these internal and external variables, we set targets based on best estimates of our overall capacity and relative to B.C.'s expected economic growth. Since all workers' compensation organizations face similar administrative and financial challenges, this measure is suitable for tracking WorkSafeBC's performance against other workers' compensation systems in Canada.

Performance highlights

In 2013, the administration cost ratio decreased by 5.7 percent to $0.33, better than both the 2012 result and our 2013 target of $0.35. The administration cost ratio can be impacted by changes to the ratio numerator (administration costs) or the denominator (the province's assessable payroll). The improvement in this KPI compared to 2012 was caused predominantly by a 4.0 percent ($3.1 billion) increase in the province's assessable payroll, an indicator of B.C.'s growing workforce and economic growth. When compared to the target of $0.35, the better result of $0.33 is due to lower administration costs than had been projected.

The subset of administration costs included within the AWCBC definition (as described above) decreased by 1.4 percent ($3.7 million), which reduced the ratio by

$0.005, though this is not apparent in the reported figures due to rounding. Total administration costs increased slightly in 2013, by 0.5 percent ($2.1 million); see page 70 of the Management Discussion and Analysis section for more information on the total administration cost variance. The increased administration costs related primarily to the prevention function, which is excluded from the AWCBC definition; see Note 15 of the consolidated financial statements (page 128) for a breakdown of total administration costs by function.

Major programs and strategies

WorkSafeBC monitors and manages administration costs through a system of internal controls, including:

- Monthly reviews and analyses of administration costs, including explanations of any significant variances from plan by each division's Financial Manager with the Chief Financial Officer (CFO) and Corporate Controller
- Monthly reporting of administration costs and variances to the President and Chief Executive Officer (CEO) and the Senior Executive Committee, and regular reporting to the Audit Committee of the Board of Directors
- Quarterly business plan and budget reviews with the President and CEO, CFO, and Corporate Controller by each division's Senior Vice-President and/or Vice-President

Looking ahead

As mentioned earlier, the administration cost ratio can be affected by changes to the numerator (administration costs) or the denominator (the province's assessable payroll). Going forward, we foresee the following:

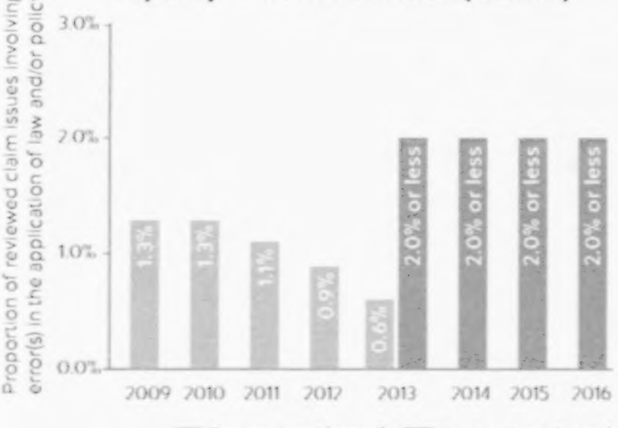
- For the numerator: administration costs for 2014 are projected to remain unchanged from the previous year's budget, but anticipated to increase 1.4 percent in 2015 and a further 1.6 percent in 2016. These changes are expected due mainly to non-discretionary increases such as employee pension expenses, employee long-term disability costs, medical benefits for retirees, and other contractual commitments.
- For the denominator: assessable payroll is expected to increase by 3.5 percent in 2014, 4.0 percent in 2015, and 4.1 percent in 2016. These figures are based on projected changes in B.C.'s labour income as estimated by the provincial Ministry of Finance.[41] The higher expected change in assessable payroll, compared to administration cost growth, contributes to expected reductions in this ratio in each of the coming years. Due to rounding, this is not apparent in the reported figures.

As compared to figures published in the *2012 Annual Report and 2013–2015 Service Plan*, we have adjusted the targets for 2014 and 2015, decreasing ratios by $0.01 and $0.02 per $100 of assessable payroll, respectively, due to lower-than-previously-projected administration costs.

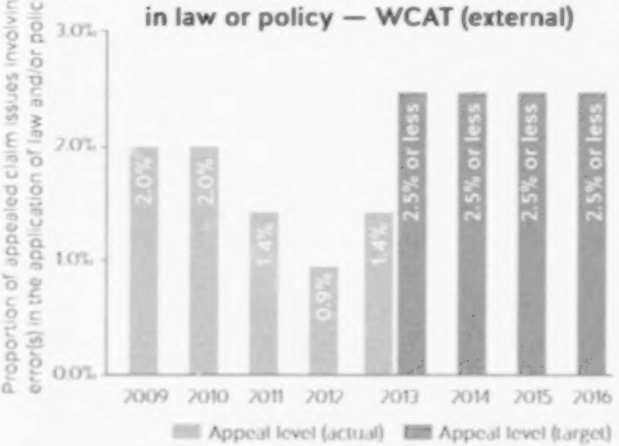
We will continue monitoring and evaluating the balance between controlling our administration costs and ensuring a high quality of service, while preparing to adjust that balance to best meet the needs of our WorkSafeBC stakeholders.

Key objective/performance indicator #11: Improve decision making throughout WorkSafeBC, ensuring consistency with legislation and policy

Claim issues leading to overturned decisions due to WorkSafeBC error in law or policy — Review Division (internal)



Claim issues leading to overturned decisions due to WorkSafeBC error in law or policy — WCAT (external)



Importance

WorkSafeBC employees make thousands of decisions each day regarding compensation, prevention, assessment, and rehabilitation matters affecting B.C. workplaces. Their underlying goal? To arrive at the correct decision by weighing evidence in a consistent manner, while ensuring decisions comply with applicable law and policy. In the absence of law or policy to cover every conceivable situation, each issue must be decided on its own merits, within the parameters of applicable law and policy.

In most cases, WorkSafeBC decisions are accepted by those involved. Nonetheless, workers and employers have the right to appeal decisions if they disagree with our findings. For most decisions, two levels of appeal are available. Our first level involves an internal review by our Review Division, which looks to ensure appropriate decisions have been made on issues in dispute. The second level involves the Workers' Compensation Appeal Tribunal (WCAT), a final, external level of appeal for WorkSafeBC matters the tribunal is authorized to hear and decide. Both the Review Division and WCAT are important components of the adjudicative process. Their findings help offer better understanding of the principles relating to workers' compensation adjudication. They can also highlight the need for policy reform, enhanced employee training, or additional stakeholder education.

Setting targets

Following the review or appeal of a WorkSafeBC decision, based on the receipt of new information or the consideration of existing information, the Review Division or WCAT may reach a conclusion that differs from the original decision. This is part of the normal inquiry process. At WorkSafeBC, we track the rate of errors coded by the Review Division or WCAT in applying law and/or policy — the most objective and readily available measure of quality decision making. Ideally, WorkSafeBC would decide every issue on every claim in accordance with law and policy. However, the everyday realities associated with handling a high volume of complex claims, providing ongoing training, meeting statutory deadlines, and applying, in certain cases, technical legislation, regulation and policy are all barriers to a zero-error rate.

Due to these practical limitations, WorkSafeBC has established KPI #11 as an indicator of quality decision making. Our Board of Directors has set the practical target error rate at 2.0 percent or less for primary decisions reviewed at the Review Division level and 2.5 percent or less for Review Division decisions appealed at the WCAT level. These targets have been extended to 2016.

Review Division — Outcomes of top five issue groups reviewed in 2013
(represents 65 percent of all issues and does not include issues returned for further consideration during 2013)

Issue group*	Decision upheld	Allowed or allowed in part due to error in law	Allowed or allowed in part due to error in policy	Allowed or allowed in part due to reweighing of existing evidence	Allowed or allowed in part due to reweighing with new evidence
Acceptance of a claim for an injury	2,846	5	17	317	298
Entitlement to compensation for a permanent partial disability	2,160	10	10	243	171
Entitlement to compensation for a temporary partial disability	743	5	3	189	140
Vocational rehabilitation	598	1	1	213	69
Acceptance of a claim for an occupational disease	696	1	0	33	28

* Issue groups have been stated in plain language. Data in the unshaded column form part of this KPI result.

Workers' Compensation Appeal Tribunal — Outcomes of top five issue groups appealed in 2013
(represents 76 percent of all issues heard by WCAT in 2013)

Issue group*	Decision upheld	Allowed or allowed in part due to error in law	Allowed or allowed in part due to error in policy	Allowed or allowed in part due to reweighing of existing evidence	Allowed or allowed in part due to reweighing with new evidence
Entitlement to a permanent partial disability award	851	15	8	117	585
Acceptance of claim for an injury	956	4	2	72	482
Acceptance of claim for an occupational disease	246	0	1	16	143
Entitlement to compensation for a temporary partial disability	204	2	3	25	126
Entitlement to compensation for a temporary total disability	176	1	4	24	78

* Issue groups have been stated in plain language. Data in the unshaded column form part of this KPI result.

Performance highlights

In 2013, the Review Division reviewed a total of 15,519 issues relating to 12,260 WorkSafeBC decisions. Of these issues, 97 (0.6 percent) resulted in overturned decisions because of a perceived error in the application of legislation or policy — better than the established target for the year. WCAT ruled on 5,459 issues relating to 3,653 completed appeals of Review Division decisions. Of these issues, 75 (1.4 percent) resulted in overturned decisions due to a perceived error in the application of legislation or policy — also better than the year's established target. In looking at all issue outcomes, overall, the Review Division confirmed 68 percent of the issues it reviewed; 19 percent were allowed, or allowed in part, while 13 percent were returned to WorkSafeBC and back to the initial decision-making division for further investigation or determination. Of the appeals WCAT examined in 2013, 59 percent of issues were confirmed, while 41 percent were allowed or allowed in part.

Major programs and strategies

To ensure decisions made under the *Workers Compensation Act* are consistent with legislation, regulation, and policy, at WorkSafeBC, we undertake various programs to educate decision makers on appropriate methods of evidence-gathering and weighing, decision making, and decision writing. We also convene quality councils for compensation, prevention, and assessment matters. These senior-level councils, including representatives from different areas of our organization, review ongoing issues that relate to the quality of decision making. They also develop plans for rectifying any identified issues. To complement this strategy, we collaborate with various working areas of the organization to help identify everyday service concerns and develop and implement immediate and long-term solutions.

Through 2013, WorkSafeBC's Review Division continued the quality decision review process. As part of this process, team managers and the quality assurance group review select decisions — either before or after decisions are issued. This involves reviewing the appropriate application of law and policy. Without encroaching on the independence of decision makers, review officers also peer review each other's draft decisions and provide constructive feedback before final decisions are released. Our Review Division's quality assurance group also conducts in-depth reviews and audits of decisions as well as training in all subject areas, including compensation, assessment, and prevention matters. Audits may be conducted jointly between the Review Division and the appropriate operating division.

Looking ahead

Our Review Division will continue its efforts to provide timely first-level dispute resolution, while looking for efficiencies in decision making and remaining focused on quality and customer service. Increased incoming review volumes, adjustment to new policies, and staff movement will continue putting pressure on decision makers that could potentially result in the introduction of additional errors in the application of law and policy. However, ongoing training and initiatives to enhance quality should help mitigate this risk. As an organization, we will continue monitoring claim and review volumes, adjusting resources where necessary.

Corporate Social Responsibility

Environmental management

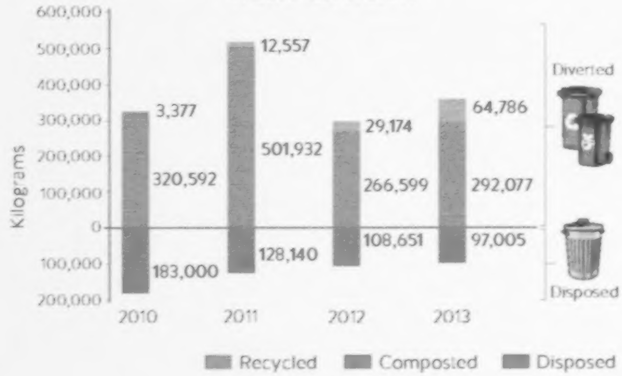
While our chief focus is to ensure safe and healthy workplaces for British Columbians, we want to ensure we lighten our environmental footprint by adopting operational practices to help reduce greenhouse gas emissions and divert waste from landfills. Using the province's Climate Action Plan's SMARTTool, we measure and report our greenhouse gas production from three sources: our buildings, vehicle fleet, and office paper.

Greenhouse gas emissions

In 2013, we reduced our total greenhouse gas emissions from all three sources by 7 percent. Our paper consumption decreased by 12 percent, emissions from buildings by 7 percent, and fleet by 7 percent compared to 2012.

In 2013, at our Richmond office, we generated 453.9 tonnes of waste compared to 404.4 tonnes in 2012, an increase of 12 percent. However, a significantly smaller amount of our total waste went to the landfill, down from 108.7 tonnes in 2012 to 97 tonnes in 2013. Of our waste generated in 2013, we recycled 292.1 tonnes and composted 64.8 tonnes. We recycled ceiling tiles in 2013 and began composting landscaping waste in November 2012. These items were not diverted in previous years.[42] This means we recycled and composted 79 percent (356.9 tonnes) of our waste in 2013.

Waste diversion



In September 2013, WorkSafeBC employees, family, and friends braved the wind and rain to take part in the Great Canadian Shoreline Cleanup. For the first time, we had volunteers in Nanaimo, in addition to our Richmond team. The Richmond volunteers collected more than 225 kg (500 lbs) of garbage at Gilbert Beach and Blair Point, while the Nanaimo team removed 110 kg (244 lbs) from Departure Bay.

Our Finances

Management Discussion and Analysis

This Management Discussion and Analysis section reports on WorkSafeBC's consolidated results and financial position for the year ending December 31, 2013. It should be read in conjunction with the consolidated financial statements and accompanying notes. This annual report and service plan contains forward-looking information, including assertions regarding the anticipated performance of WorkSafeBC. These assertions are subject to risks and uncertainties that may cause actual results to differ from those outlined in the forward-looking information.

In 2011, WorkSafeBC adopted International Financial Reporting Standards (IFRS) requiring the restatement of 2010 financial statements to conform to the new accounting standards. In years prior to the conversion to IFRS, this discussion presented five years of comparative information for selected revenue, expense, and balance sheet items. This year, only four years of comparative information are provided. Financial information dating back further than 2010 was not restated due to the application of IFRS transition adjustment rules as at January 1, 2010.

The *2013 Annual Report and 2014–2016 Service Plan* and *WorkSafeBC 2013 Statistics* publication are both available at www.worksafebc.com/publications/reports. Also available online is supplementary information on WorkSafeBC's operating results from an underwriting perspective, including a 10-year summary table, gain and loss analysis, and a statement of changes in rate group balances — three supplementary schedules prepared based on the smoothed[43] accounting approach.

Overview of 2013 Financial Results

2013 and 2012 highlights

Financial highlights ($ millions)	2013	2012	Change
Portfolio investments	13,604	12,466	1,138
Benefit liabilities	11,140	10,716*	424
Unappropriated balance	1,388	766*	622
Accumulated other comprehensive income (losses)	(83)	(289)	206
Reserves	1,552	1,552	—
Premium income	1,243	1,163	80
Investment income	1,547	1,128	419
Other income	4	11	(7)
Claim costs	1,951	2,272*	(321)
Operating costs	221	215	6
Surplus (deficit) from operations	622	(185)*	807
Other comprehensive income (loss)	206	(33)	239
Total comprehensive income (loss)	828	(218)*	1,046
Operational highlights			
Percentage of target funding level achieved (see KPI #8, page 49)	94%	91%**	3 points
Aggregate premium rate (see KPI #9, page 52)	$1.54	$1.49***	$0.05
Number of insured employers	217,759	214,801	2,958
Number of workers covered	2.19 million	2.19 million	—
Injury rate (see KPI #1, page 28)	2.30	2.34	(0.04)
Number of claims registered	145,126	144,807	319

* These amounts have been restated from those published in the 2012 annual report to reflect an accounting change in the recognition of liability for future long-latency occupational disease claims (see Note 2 of the consolidated financial statements on page 87).

** This figure has been restated from that published in the 2012 annual report to reflect a modification in the calculation of KPI #8 (see Appendix B on page 140).

*** The estimated rate published in the 2012 annual report has been updated to a final rate of $1.49.

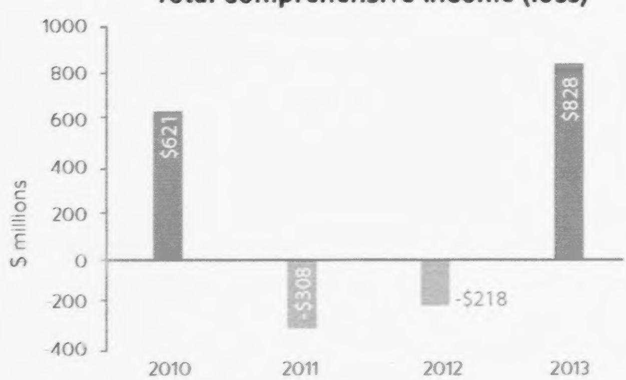
By any financial measure, 2013 was a good year for WorkSafeBC. The rate of return on the $13.6 billion investment portfolio was 12.4 percent, resulting in investment income that was $419 million more than 2012, and $1,049 million greater than planned. In comparison to plan, claim costs in 2013 were $219 million less, and lower by $321 million when compared to the prior year. However, if the non-recurring actuarial adjustments made in 2012 are excluded, 2013 claim costs are more comparable to 2012. Changes to actuarial assumptions for the valuation of employee benefit plans, combined with higher returns on plan assets, provided gains of $239 million more than the prior year and $206 million in excess of plan. Premium income was higher than 2012 and within 1 percent of plan; and operating costs were higher than the prior year but lower than plan (see comparison to plan, page 74).

All told, WorkSafeBC's financial result at the end of 2013 is a total comprehensive income of $828 million — almost $1.5 billion better than the budget for the year. (A loss had been projected for reasons detailed in the comparison to plan section.) Barring a dramatic worsening of the investment landscape in the first six months of 2014, this result seems highly likely to result in negating or mitigating upward pressure on premium rates in 2015. (Preliminary 2015 rates will be determined by the Board of Directors in July 2014, subject to stakeholder consultation, with final rates determined by October.)

The impact of most key financial drivers — investment returns, employment, injury rate, short-term claim duration, and inflation — was favourable for both revenues and expenses.

Revenue was the largest contributor to our favourable income result with the 12.4 percent investment portfolio return being higher than the 9.5 percent return earned in 2012, and significantly higher than the required return[44] of 3.7 percent. [As compensation benefits are indexed to inflation,[45] WorkSafeBC's required return on investments is inflation (2013 rate of 0.7 percent), plus the 3.0 percent discount rate[46] used to calculate the present value of future benefit liabilities (see the chart on page 71 for a comparison of market return versus required return).] In 2013, investment income in excess of liability requirements was $1,145 million, compared to $716 million in 2012 (see gain and loss table, page 64).

Total comprehensive income (loss)



Note: 2010-2012 amounts have been restated from those published in the 2012 annual report to reflect an accounting change to recognize liability for future long-latency occupational disease claims (see Note 2 of the consolidated financial statements, page 87).

Premium income also increased in 2013 as both assessable payroll and average premium rates increased. The total premium income is a function of the aggregate premium rate[47] applied against the province's employers' assessable payroll. With continued growth in the B.C. economy and continued decline in the unemployment rate, the provincial labour income and assessable payroll increased. The aggregate premium rate increased to $1.54 in 2013 from $1.49 in 2012 (see KPI #9, page 52). However, the premium rate continued to be underpriced, being less than the cost of current-year injuries and operating costs, as WorkSafeBC has been returning an accumulated surplus to employers through reduced rates, which continued in 2013 (see gain and loss table on page 64).

On the expense side, operating and claim costs remained about the same as 2012, excluding the non-recurring actuarial adjustments in 2012 (for mortality basis and health care discount rate changes — see claim costs table, page 68). The key financial drivers of claim costs are the injury rate, claim duration, and inflation. In 2013, the injury rate reduced slightly to 2.30 per 100 person-years of employment from an already low injury rate of 2.34 in 2012. Claim duration also declined as return-to-work rates improved, while inflation remained low (as noted above). See the risk section, page 75, for a description of the financial impact of these key financial drivers.

Gain and loss analysis

The gain and loss table that follows shows the major components contributing to the total comprehensive income or loss. The premium income deficiency (underpricing) and investment income in excess of liability requirements have already been discussed.

Gain and loss table (rateable classes only)*

($ millions)	2013	2012	Change
Premium income excess (deficiency) over current-year claim and operating costs	(248)	(273)	25
Investment income excess (deficiency) over liability requirements	1,145	716**	429
Lower (higher) actuarial liabilities than previously anticipated for prior-years' claims			
Lower (higher) actuarial liabilities than previously anticipated, excluding non-recurring changes	(274)	(298)	24
Mortality basis change	—	(165)	165
Health care net discount rate change	—	(154)	154
Actuarial gains (losses) on latent occupational disease liability	(1)	(11)**	10
Actuarial gains (losses) on employee benefit plans	206	(33)	239
Total comprehensive income (loss)	**828**	**(218)**	**1,046**

* The gain and loss table excludes costs relating to self-insured classes, which are fully recoverable.

** This amount has been restated from that published in the 2012 annual report to reflect an accounting change in the recognition of liability for future long-latency occupational disease claims (see Note 2 of the consolidated financial statements on page 87).

Benefit liabilities for prior-years' claims were revised upward in 2013, but to a much lesser extent than in 2012. These liabilities are established using actuarial factors that reflect cost experience (see page 72). Variances result in an increase or decrease to total comprehensive income — lower or higher actuarial liabilities for prior-years' claims than previously anticipated. In 2013, the net effect of the various components of this variance was a decrease to income of $274 million, compared to $617 million in 2012. The higher variance in 2012 was primarily due to non-recurring changes in liability assumptions for the mortality basis and net health care discount rate, accounting for $165 million and $154 million, respectively.

Actuarial losses on the latent occupational disease liability decreased the 2013 comprehensive income by $1 million. Actuarial gains on employee benefit plans increased the 2013 gain by $206 million (see page 67 for a discussion of this component).

Funded position

Note: 2010–2012 amounts have been restated from those published in the 2012 annual report to reflect an accounting change to recognize liability for future long-latency occupational disease claims (see Note 2 of the consolidated financial statements, page 87).

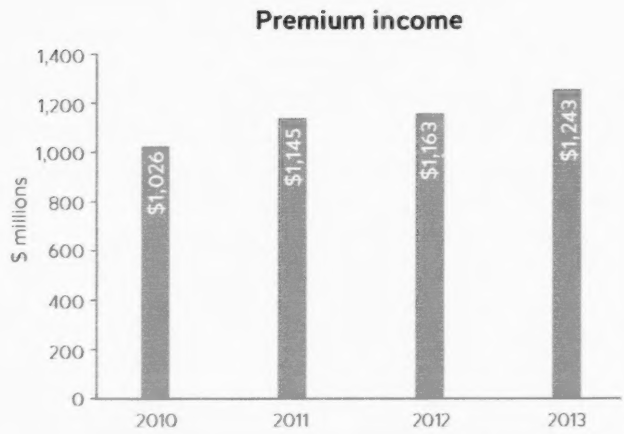
In keeping with our strategic objective to ensure long-term financial sustainability, we achieved a funded position (accumulated surplus) of $2.9 billion at the end of 2013. The funded position balance, made up of the unappropriated balance, accumulated other comprehensive income or loss, and reserves (see page 84 of the consolidated financial statements) increased by $828 million in 2013 — even with the return of accumulated surpluses to employers through reduced rates. As a result, we remain well-positioned to meet future demands on the Accident Fund (see KPI #8, page 49). Included in the funded position are reserves with a total balance of $1.6 billion (see page 73).

Revenues

Revenues at WorkSafeBC are made up of two primary streams: premium income and investment income.

Premium income

Premium income consists mostly of assessments received from rateable employers and, to a much lesser extent, self-insured employers.[48] Rateable premium income is derived primarily from total assessable payrolls multiplied by the appropriate rate for each employer.



Note: 2010–2012 amounts have been restated from those published in the 2012 annual report to reflect an accounting change in self-insured premium income to recognize liability for future long-latency occupational disease claims (see Note 2 of the consolidated financial statements, page 87).

Premium income increased in 2013, as both the assessable payroll and average premium rate increased. Assessable payroll increased in 2013, due to continued growth in the economy and lower unemployment in B.C. More specifically, higher assessment revenues were received from a number of sectors, primarily construction, transportation, health care services, wood and paper products, and forestry.

Premium income ($ millions)	2013	2012	Change
Rateable employers	1,214	1,130	84
Self-insured employers	29	33	(4)
Total	**1,243**	**1,163**	**80**
Base premium rate	$1.63	$1.54	$0.09
Aggregate premium rate	$1.54	$1.49*	$0.05
Assessable payroll ($ billions)	$81.5	$78.5*	$3.0

* These figures have been restated. The 2012 annual report stated an estimated aggregate premium rate of $1.48 and $78.4 billion in assessable payroll.

After nine consecutive years of reductions, 2013 saw the base premium rate rise. This increase was primarily due to the recovery of rate group deficits. Similarly, the 2013 aggregate premium rate increased to $1.54 per $100 of assessable payroll from $1.49 in 2012. Rates will also rise in 2014, due to increases in long-term disability and health care claim costs, as well as the continued recovery of rate group deficits[49] (see KPI #9, page 52, for further details).

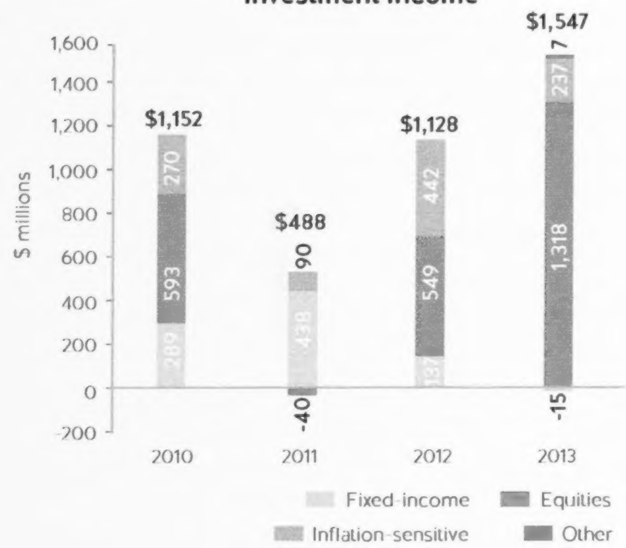
Premium income from self-insured employers decreased in 2013. This includes the recovery of claim costs paid on behalf of these employers, an allocation of administration costs to manage claims from their injured workers, and changes in the actuarial valuation of self-insured employers' benefit liabilities. This decrease was due to lower claim costs incurred by these employers.

The premium income reported in the consolidated financial statements is partially based on estimates. The final premium amount for the 2013 assessment year will not be fully known until May 2014, when almost all employers will have submitted their final premium reconciliation statements. To meet the reporting deadlines for this annual report, WorkSafeBC has estimated the value of premium income based on financial data from March 2014. Given the uncertainty associated with this estimate, we tend toward a conservative approach. In the previous five years, the difference between the underestimated value of premium income and the final amount has not been more than 1.0 percent. Any difference between final remittances from employers and the accrued amount resulting from estimates is recognized as premium income in the following year.

Investment income

By legislation, WorkSafeBC is required to maintain an Accident Fund that sufficiently meets all present and future costs (liabilities) for injuries arising in the current and previous years. A significant portion of the Accident Fund is invested in pooled funds and investment corporations managed by the British Columbia Investment Management Corporation (bcIMC). See the portfolio investments section, page 70, for a discussion on the total portfolio value gains in 2013.

Investment income



In 2013, investment income of $1.5 billion was $419 million higher than in 2012, based on returns of 12.4 percent, compared to 9.5 percent in 2012. All major stock markets reported gains despite low global economic growth rates in 2013, with WorkSafeBC's equity investments earning returns of $1.3 billion. Inflation-sensitive[50] and other investments also had positive returns of $237 million and $7 million, respectively. However, fixed-income investments experienced a loss of $15 million in 2013 as bond yields increased. Unrealized market value gains accounted for just over half of 2013 investment income; income distributions and realized gains from sales accounted for the remainder, as shown in the following table.

Investment income

($ millions)	2013	2012	Change
Income distributions from pooled funds	456	467	(11)
Income distributions from investment corporations	55	43	12
Net realized gains on investments	251	197	54
Net unrealized gains on investments	785	421	364
Total	**1,547**	**1,128**	**419**

Other comprehensive income or loss

The other comprehensive income or loss (OCI) line item in the statement of comprehensive income (loss) appears below the operating surplus or deficit for the year, suggesting it be viewed in a different context from normal operations. OCI reflects gains or losses on remeasurements as a result of movements in the price or valuation of an asset or liability. According to the International Accounting Standards Board, the presentation of such remeasurements in OCI is to separate those changes from changes considered the result of an entity's day-to-day operations.

This presentation is consistent with the view that while the remeasurement data provides useful information, it is less useful than the items presented above the operating surplus or deficit line for predicting the likely amount and timing of operational cash flows.

WorkSafeBC's OCI consists entirely of actuarial gains or losses arising from post-employment employee benefit plans. In 2013, OCI was $206 million (2012: $33 million loss), and the resulting accumulated other comprehensive loss was $83 million (2012: $289 million). Gains in 2013 resulted primarily from a reduction in plan liabilities due to an increase in the discount rate (based on bond yields) used to calculate those liabilities, and returns on plan assets in excess of net interest expense. See Note 9, page 110, of the consolidated financial statements for further information.

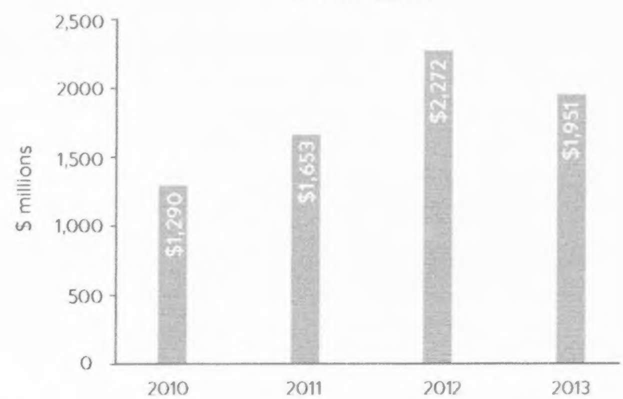
Expenses

WorkSafeBC's expenses consist of claim costs and other operating costs that include administration and prevention costs, injury research and reduction initiatives, and investment costs.

Claim costs

Claim costs consist of benefit payments and the change in actuarial valuation of benefits. In 2013, our overall claim costs decreased by $321 million.

Claim costs



Note: 2010–2012 amounts have been restated from those published in the 2012 annual report to reflect an accounting change to recognize liability for future long-latency occupational disease claims (see Note 2 of the consolidated financial statements, page 87).

In 2013, benefit payments were $1.5 billion, only a slight increase from 2012, and actuarial valuation adjustments were $424 million, a marginal decrease from 2012, excluding non-recurring actuarial adjustments in 2012 of $329 million. Benefit payments include an internal allocation of costs for the Vocational Rehabilitation department and for claim administration. A breakdown of these costs is noted in the following table.

Claim costs

($ millions)	2013 Benefit payments	2013 Change in actuarial valuation of benefit liabilities	2013 Total	2012 Benefit payments	2012 Change in actuarial valuation of benefit liabilities	2012 Total	Change
Short-term disability	296	1	297	301	23	324	(27)
Long-term disability	469	186	655	467	81	548	107
Survivor benefits	67	5	72	67	7	74	(2)
Health care	338	163	501	327	209	536	(35)
Vocational rehabilitation	113	38	151	112	23	135	16
Claim administration	244	18	262	243	60	303	(41)
Latent occupational disease	—	13	13	—	23*	23	(10)
Non-recurring costs:							
Mortality basis change	—	—	—	—	170**	170	(170)
Health care benefit net discount rate change	—	—	—	—	159**	159	(159)
Total	**1,527**	**424**	**1,951**	**1,517**	**755**	**2,272**	**(321)**

* This amount has been restated from that published in the 2012 annual report to reflect an accounting change in the recognition of liability for future long-latency occupational disease claims (see Note 2 of the consolidated financial statements on page 87).

** The figures in this table are different from the corresponding figures in the gain and loss table on page 64 — the gain and loss table excludes costs relating to self-insured classes, which are fully recoverable.

Benefit payments

Short-term disability (STD) payments were 1.7-percent lower in 2013 than 2012. Total days paid for STD claims in 2013 was 2.8 million days, at an average daily rate of $106.75. While the average worker receiving compensation received a 2.7 percent increase in the wage rate, there was a 4.5 percent decrease in days paid, resulting in lower total STD payments. The percentage of injured workers returning to work by 26 weeks was 81.0 percent in 2013, an increase from 79.9 percent in 2012 (see KPI #2, page 33).

Long-term disability (LTD) payments constitute the largest category of payments WorkSafeBC makes on an annual basis. In 2013, these payments were $2 million higher than the previous year. Survivor benefit payments have been relatively stable, with moderate increases in the last two years (0.7 percent in 2013 and 3.0 percent in 2012).

Health care payments increased by 3.4 percent in 2013, below the 10-year average of 7.1 percent and significantly less than the 12.4 percent increase in 2012. In 2012, health care payment increases were due

to a combination of unit cost increases for services, an increase in access to specialized and/or complex health care programs for injured workers (such as those related to mental health, brain injuries, and surgeries), and increased use of health care services for workers with claims from prior years. The 3.4 percent increase in 2013 can be attributed to a small increase in claim volume, and minor fee increases in some health care programs.

Vocational rehabilitation benefit payments also increased marginally in 2013. These expenditures reflect a higher number of workers receiving vocational rehabilitation services and an increase in the compensable wage rate. In 2013, referrals to the vocational rehabilitation program remained at higher than historical norms. Our efforts in this area are paying off as an increased percentage of workers receiving vocational rehabilitation are successfully returning to work despite the province's low economic growth (see KPI #3, page 37).

Claim administration payments increased by $1 million in 2013. These costs are discussed as part of the overall explanation of the administration cost variance in the operating costs section, page 70.

Changes in actuarial valuations

The largest component of the decrease in claim costs in 2013 was the $329 million change in benefit liabilities relating to non-recurring actuarial adjustments recorded in 2012 (i.e., mortality basis change and discount rate adjustment). There was an $8 million increase in other benefit liability adjustments and a $10 million decrease in the latent occupational disease liability, based on actuarial valuations calculated annually. These actuarial valuation changes are based on the recent payment history of various benefit types. WorkSafeBC then uses trend data and price indices to estimate future potential liabilities.

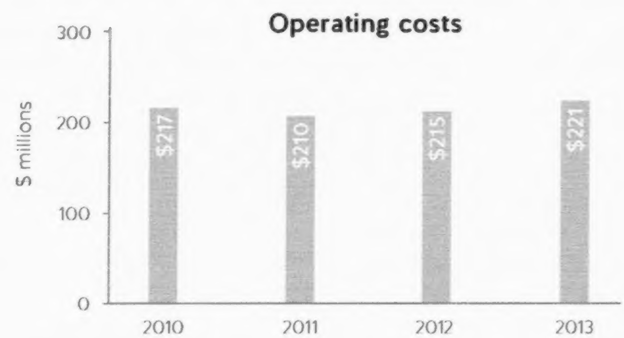
The largest increases in benefit liabilities between 2012 year-end and 2013 year-end were $186 million for long-term disability and $163 million for health care. In the long-term disability area, this reflects a high level of new long-term disability awards, which continued from 2012 into 2013. In the health care area, the increase reflects a higher level and longer duration of health care payments in 2013, but the increase was actually lower than plan for the year. The increase in health care liability was $138 million lower than planned due to $22 million lower payments than projected in the 2013 business plan (utilization and fee increases were lower than projected). See the benefit liabilities section (page 72) for a more detailed discussion of the increase in benefit liabilities.

Also worth noting here: 2013 is the first year WorkSafeBC is recognizing a liability for future long-latency occupational disease claims. This accounting policy change has been recorded on a retrospective basis (see Note 2 of the consolidated financial statements, page 87).

Changes in actuarial valuation are non-cash in nature because they are not paid out on claims in the current year. They strictly reflect the expected future cost of claims occurring in the current and previous years.

Operating costs

Operating costs were relatively flat in 2013, increasing by $6 million over 2012, with the largest component being a $5 million increase in investment costs.



Operating costs

($ millions)	2013	2012	Change
Administration and prevention costs	424	422	2
Less: Claim administration payments	(244)	(243)	(1)
	180	**179**	**1**
Injury research and reduction initiatives	13	13	—
Investment costs	28	23	5
Total	**221**	**215**	**6**

WorkSafeBC was able to keep administration and prevention costs relatively flat in 2013, with a marginal increase of $2 million. The noteworthy changes included: an $11 million increase in payroll costs due primarily to a 2 percent negotiated increase in bargaining-unit staff salaries and actuarial adjustments to staff benefit plan liabilities, offset by a $5 million decrease in project expenses and a $4 million decrease in other administration cost categories.

Claim administration costs relate to the portion of operating costs incurred to adjudicate claims for compensation, manage claims, and process claim payments. These payments are deducted from total operating costs to avoid double counting, because they are already included as a claim cost in the standardized financial statement presentation used by workers' compensation organizations in Canada.

Expenses for injury research and reduction initiatives remained at the same level as 2012.

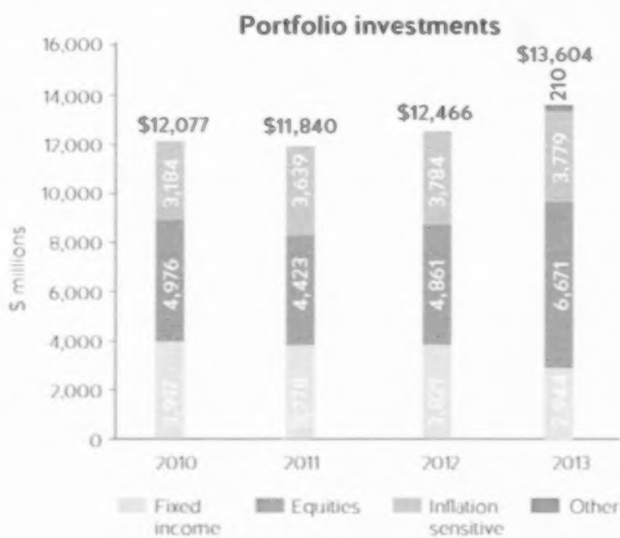
In 2013, investment costs increased by $5 million due to an increase in the portfolio value and transitioning the portfolio to higher allocations in equity and inflation-sensitive asset classes, which had higher fees (and returns) than fixed-income assets.

Balance sheet

The largest and most important components of WorkSafeBC's balance sheet are our portfolio investments and benefit liabilities.

Portfolio investments

The chart that follows shows the grouping of various types of investments by asset allocation category. In 2013, the portfolio value increased by $1.1 billion — from $12.5 billion to $13.6 billion. This increase reflects $1.5 billion of investment income (discussed earlier) less the amount of withdrawals to fund claim payments and operating costs.



In 2013, the investment portfolio continued to be well-positioned, with WorkSafeBC's Investment Committee maintaining the investment portfolio close to its target weights (slightly underweight fixed-income and inflation-sensitive assets and overweight equity). The asset allocation targets[51] established under the investment policy are relatively conservative; more than half the assets are allocated to fixed-income and inflation-sensitive investments. The asset mix stayed within the policy ranges throughout 2013. By year-end, the investment portfolio consisted of 22 percent fixed-income, 49 percent equity, 28 percent inflation-sensitive assets and 1 percent other assets (compared to related investment policy targets of 25, 43, 32, and 0 percent, respectively).

Portfolio investments

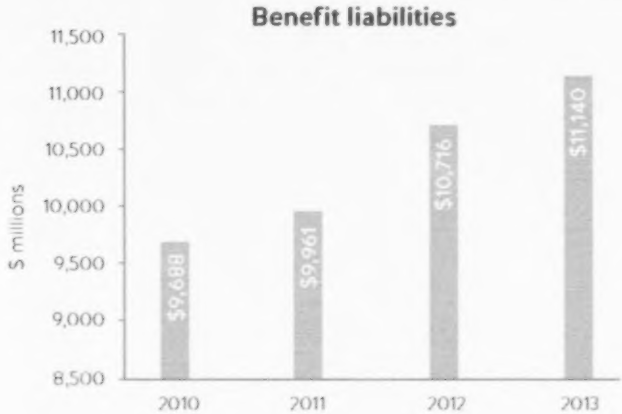
($ millions)	2013	2012	Change
Fixed-income	2,944	3,821	(877)
Equities	6,671	4,861	1,810
Inflation-sensitive	3,779	3,784	(5)
Other	210	—	210
Total	**13,604**	**12,466**	**1,138**

The majority of WorkSafeBC's investments are held for the long term in securities of solid sustainable organizations and in countries with established or growing economies. We anticipate a continuing but gradual increase in the market values of our investments. At the same time, we remain concerned about sovereign debt issues in Europe, fiscal issues in the U.S., and the sustainability of growth rates in emerging markets. Also cause for concern is that higher levels of inflation and interest rates will return at some point, though that does not appear to be an imminent reality — more likely, a factor after we have reached the mid-decade point.

As far as investment performance, the portfolio's 2013 market return saw a gain of 12.4 percent — compared to gains of 9.5 percent in 2012 and 4.1 percent in 2011. This return was more than WorkSafeBC's return requirement[52] for the year, of 3.7 percent. Annual variations in market return should be viewed against longer-term results, shown in the chart that follows.

Benefit liabilities

In estimating benefit liabilities, the two most important underlying assumptions are the net discount rate and future payment pattern.



Note: 2010–2012 amounts have been restated from those published in the 2012 annual report to reflect an accounting change to recognize liability for future long-latency occupational disease claims (see Note 2 of the consolidated financial statements, page 87).

Net discount rate — Expected future benefit payments are discounted to arrive at a present value liability amount. A 1.0 percent change in the overall discount rate would change liabilities by approximately $1.2 billion. See Note 10 of the consolidated financial statements, page 117, for further information on net discount rates used in calculating the various components of benefit liabilities.

Future payment pattern — Benefit liabilities consist of two major categories (excluding the liability for long-latency occupational diseases, see below). Each incorporates an estimate of the future payment pattern:

- Pension awards, capitalized values — This is the present value of monthly annuities (or pensions) already awarded to workers (long-term disability) or survivors of deceased workers. The potential estimation error in this $5.0 billion liability is relatively small, as the awards are known.
- Provision for unfinalled claims — This is the present value of future payments on existing claims yet to be awarded, currently estimated at $5.8 billion. While WorkSafeBC cannot determine the exact measure of uncertainty in the estimate of unfinalled claim liability, historical data suggests this expected uncertainty could range from plus or minus 20 percent, or about $1.2 billion.

Provision for future long-latency occupational disease claims — In February 2011, the Canadian Actuarial Standards Board issued new actuarial standards of practice for workers' compensation organizations requiring the recognition of a liability for long-latency occupational diseases. These are occupationally caused diseases (for which there has already been some exposure to the disease-causing agent), currently recognized as compensable, that will manifest as claims in future years. The new standards are applicable to calculation dates on or after December 31, 2014, though WorkSafeBC elected to recognize this liability beginning December 31, 2013. The impact of this accounting change is a $329 million increase in benefit liabilities at December 31, 2012, and a further increase in benefit liabilities of $13 million during 2013. The accounting for this liability was on a retrospective basis, so comparative financial statement periods were restated to reflect the liability and period expenses (see Note 10 of the consolidated financial statements, page 117).

In 2013, total benefit liabilities increased by $424 million, or about 4.0 percent. From 2001 to 2010, the change in actuarial valuation of this liability trended downward,[53] a trend that appears to have ended as benefit liabilities increased from 2011 through 2013.

Factors such as short-term disability duration, the success of vocational rehabilitation in returning workers to work, the likelihood of injured workers receiving long-term disability awards, rising costs associated with increased use of health care services, and general economic conditions could all influence a change in liability value. Judicial or legislative decisions that alter policy or scope of coverage and/or accounting and actuarial standards changes could also affect the valuation of benefit liabilities.

Benefit liabilities

($ millions)	2013 Unfinalled claims	2013 Pension awards	2013 Future claims	2013 Total	2012 Unfinalled claims	2012 Pension awards	2012 Future claims	2012 Total	Change
Short-term disability	328	—		328	327	—		327	1
Long-term disability	1,841	4,227		6,068	1,761	4,121		5,882	186
Survivor benefits	96	819		915	87	823		910	5
Health care	2,490	—		2,490	2,327	—		2,327	163
Vocational rehabilitation	289	—		289	251	—		251	38
Claim administration	708	—		708	690	—		690	18
Latent occupational disease			342	342			329*	329	13
Total	**5,752**	**5,046**	**342**	**11,140**	**5,443**	**4,944**	**329**	**10,716**	**424**

* This amount has been restated from that published in the 2012 annual report to reflect an accounting change in the recognition of liability for future long-latency occupational disease claims (see Note 2 of the consolidated financial statements on page 87).

Reserves

WorkSafeBC maintains several reserves, as shown in the table that follows and described in Note 11 of the consolidated financial statements (page 124). Initiated in 2005,[54] the Capital Adequacy Reserve is the largest reserve — at $962 million in 2013 (2012: $962 million). It is fashioned after the capital adequacy test of the federal Office of the Superintendent of Financial Institutions (OSFI), used in the private insurance sector.

The other eight reserves — not including the Capital Adequacy Reserve — are intended to cover specific risks. Most of these risks are unique to the area of workers' compensation, risks not inherently part of a private insurer's risk profile.

Reserves

($ millions)	2013	2012	Change
Contingent Reserve	3	3	—
Disaster Reserve	16	16	—
Enhancement Reserve	21	21	—
Latent Occupational Disease Reserve	200	200	—
Earthquake Disaster Reserve	20	20	—
Research Reserve	30	30	—
Injury Reduction and Return-to-Work Initiatives Reserve	50	50	—
General Reserve	250	250	—
Capital Adequacy Reserve	962	962	—
Total	**1,552**	**1,552**	**—**

Comparison to Plan

Each year, WorkSafeBC prepares *pro forma* financial projections as part of its annual business planning process. Performance targets for KPIs #8, #9, and #10 (see pages 49, 52, and 54, respectively) are based on these projections. Projections are, by design, conservative in nature.

($millions)	2013 actual	2013 plan*	variance
Premium income	1,243	1,252	(9)
Investment income	1,547	498	1,049
Other income	4	6	(2)
Total revenues	**2,794**	**1,756**	**1,038**
Claim costs	1,951	2,170	219
Operating costs			
Administration and prevention costs	424	441	17
Less: Claim administration payments	(244)	(255)	(11)
Injury research and reduction initiatives	13	23	10
Investment costs	28	27	(1)
Total expenses	**2,172**	**2,406**	**234**
Operating surplus (deficit)	622	(650)	1,272
Other comprehensive income (loss)	206	—	206
Total comprehensive income (loss)	**828**	**(650)**	**1,478**
Funding level (AWCBC metric)	125%	115%	10 points
Percentage of target funding level achieved	94%	88%	6 points

* The 2013 plan does not reflect the accounting policy change made in December 2013 to recognize the liability for long-latency occupational disease claims.

Our total comprehensive income in 2013 was $828 million, or $1,478 million better than planned. We had planned for a loss, setting premiums at a lower rate than required to cover current-year costs (see gain and loss table in the overview section, page 62) in order to return surplus to employers in keeping with WorkSafeBC's funding policy. However, due to high returns earned on the investment portfolio — a favourable variance of $1,049 million, and lower-than-planned claim costs totalling a $219 million variance — the year ended with a total comprehensive gain. These variances were further supplemented by an unplanned $206 million gain on the actuarial valuation of employee benefit plans [reflected in the other comprehensive income (loss) category in the table above].

Premium income was less than target due to higher-than-anticipated premium rebates (through the Partners in Injury Prevention program), while return on the investment portfolio was 12.4 percent — considerably more than the planned return of 3.9 percent.

Claim costs were less than projected, primarily due to a reduction in claim liability and lower-than-forecast health care and short-term disability payments. Administration costs and other operating costs were also under budget for the year.

In 2013, funding for the Accident Fund was 125 percent (assets compared to liabilities), while the percentage of the target asset level achieved was 94 percent (assets compared to the target asset requirement level). Both measures were better than projected due to higher-than-expected total comprehensive income in 2013.

Risk

Risk management

Our strategic framework requires that management review external and internal factors to assess the risks facing our organization, including risks to programs, operations, finances, information, facilities, and staff required by WorkSafeBC to provide ongoing services to British Columbians. Like any organization, we are susceptible to risks that could lead to significant consequences if unmitigated. As such, we have established internal controls, policies, and processes to assist in containing risks. An Internal Audit department, reporting regularly to the Audit Committee of the Board of Directors, conducts operational and control audits to test for compliance. The Audit Committee also receives semi-annual reporting on key risk factors, including an assessment of the potential impact of identified risks and the likelihood they will occur, and an assessment of the effectiveness of risk management procedures — referred to as the Enterprise Risk Management plan.

The following table shows the 2013 assessment of residual risks for 11 categories, from low (green) to extreme (red). Residual risk assessment considers the processes and controls in place to manage risk. Key strategic, financial, and operational risk factors are discussed below.

Injury rate

Injury rate risk is considered moderate as our prevention strategy coupled with the efforts of B.C.'s workers and employers is helping maintain a low injury rate. To stay the course, we will continue working with our business and labour partners to address occupational health and safety risks, focus on emerging issues, engage in proactive enforcement targeting high-risk sectors, and support injury prevention education and awareness. Each 1 percent increase in the number of injuries increases system costs by approximately $13 million and, by extension, the annual premium rate by 1 percent.

See KPI #1 (page 28) for further discussion of the injury rate.

Claim management

Our claim management risk is rated as moderate, as timeliness of short-term disability payments has consistently improved over the last four years. Further, the return-to-work rates for workers on short-term disability and for injured workers receiving vocational rehabilitation both exceeded target. Our efforts returned 81.0 percent of injured workers to work by the 26-week mark and 77.5 percent of injured workers receiving vocational rehabilitation also returned to work.

See KPIs #2, #3, and #4 (pages 33, 37, and 38, respectively) for further discussion of WorkSafeBC's claim management and return-to-work programs.

Stakeholder relations

Our stakeholder relations risk has been deemed moderate as our customer service and public confidence ratings remain favourable. Customer service improvement is, and always will be, a priority. WorkSafeBC obtains feedback through regular surveys and focus groups, allowing us to better understand the needs of our customers and measure interactions that drive stakeholder perceptions of our organization. As a result, we can better tailor business decisions to meet the needs of workers and employers and improve service across all areas.

See KPIs #5, #6, and #7 (pages 39, 44, and 48, respectively) for further discussion of WorkSafeBC's customer service and public awareness programs.

Business continuity

Our business continuity risk is considered moderate because WorkSafeBC has a tested corporate business continuity plan in place to ensure critical services can be maintained or expeditiously restored in the event of a business disruption. Tests have included a facilitated analysis of a simulated emergency situation at one of WorkSafeBC's facilities; this simulation involved our emergency response team, communications staff, and senior executives.

Insurance underwriting

WorkSafeBC's insurance underwriting risk is rated high due to insurance cost risks as there is always the possibility of pressure to artificially limit premium rates, which could impact the financial health of the system. However, ongoing efforts aim to mitigate risk in this area. They include monitoring the financial health and ongoing viability of rate groups and industry pools, the actuarial model and assumptions used to price rate group premiums and liabilities, and communicating with stakeholders on rate-setting methodology and the importance of maintaining an appropriate funding level.

See KPI #9 (page 52) for a discussion of premium rates.

Benefit costs (especially those related to high-cost injuries leading to long-term disability) are susceptible to many variables, and thus difficult to predict with certainty. They are dependent on efforts to address the injury rate and claim management risk, as described above. Inflation is also potentially a key cost driver, due to the indexing of short-term disability, long-term disability, and survivor benefits against the annual increase in the Canadian consumer price index (CPI). As liabilities for these benefits total $6.1 billion, every 1 percent increase in inflation adjustment costs approximately $61 million. WorkSafeBC's financial projection for 2014–2016 assumes an inflation rate of 2.0 percent per year.

To mitigate uncertainty in future costs, WorkSafeBC's Capital Adequacy Reserve can be used to dampen significant premium increases, including those arising from higher claim costs. WorkSafeBC's capital adequacy policy, as it relates to capital management, is discussed further in the next section.

Capital management

Capital management has the highest residual risk, as assessed by our Enterprise Risk Management process. This is because we are managing an investment portfolio valued at $13.6 billion, and many investment risks cannot be directly controlled. This includes significant market swings, geopolitical events, and interest rate changes driven by global monetary, fiscal, and trade policies. It's worth underscoring that financial markets have been volatile since the 2008 financial crisis and subsequent recession.

To manage these types of risks, WorkSafeBC has a prudent investment policy with oversight from a Board-appointed Investment Committee, and a capital adequacy policy to mitigate against market volatility and uncertainty in estimated liabilities.

WorkSafeBC's capital adequacy policy requires that management set aside sufficient funds to cover the risks inherent in its assets and liabilities, which could change in value, based on the underwriting and investment risks described above. To be a financially sound insurer, WorkSafeBC aspires to meet risk capital tests like those imposed on private insurers by regulatory authorities. In Canada, the Office of the Superintendent of Financial Institutions (OSFI) regulates banks and insurance companies to ensure they have sufficient capital to back their promises and obligations to customers and policyholders. In 2007, WorkSafeBC's Board of Directors approved the adoption of a capital adequacy policy, setting out a target asset level using a methodology derived from OSFI guidelines. While WorkSafeBC is not subject to OSFI regulatory oversight, our decision to voluntarily adopt a capital coverage target is in keeping with our strategic objective of a financially sustainable system. WorkSafeBC's target asset level is discussed in KPI #8 (see page 49).

Additional disclosure on WorkSafeBC's investment risk management is provided in Note 4 of the consolidated financial statements, pages 97–100.

Financial management

Our financial management risk is rated as moderate.

WorkSafeBC's management has a responsibility to maintain cost-effectiveness and accountability in the services we deliver. As such, we have implemented a system of internal controls to ensure appropriate financial policies and procedures are in place, in addition to ensuring the reliability of our financial information and reporting.

Claim and administration costs are managed through formal budgeting, monthly reporting, and variance analysis procedures. Our claim management system and Business Information and Analysis department provide management reports and analysis to help us manage claim costs. Administration costs are compared against other jurisdictions. They are reported in KPI #10 (see page 54).

Fraud and abuse are risks faced by every organization, particularly those with an insurance function. WorkSafeBC is committed to effective fraud risk management through a fraud prevention strategy.

Legislation and policy

Our legislation and policy risk is considered moderate.

Every day, WorkSafeBC employees make thousands of decisions regarding compensation, prevention, assessment, and rehabilitation affecting workers and employers. To improve consistency in decision making and ensure compliance with applicable legislation, regulation, and policy, this process is subject to both internal review and external appeal. See KPI #11 (page 56) for a further discussion on decision-making improvement efforts.

Potential changes to legislation and policy — especially those affecting compensation benefits — can have a significant financial impact, increasing WorkSafeBC's underwriting risk. Financial impacts include the potential for increased claim costs (particularly if the change is applied retroactively), and operating costs associated with realigning and training staff. For example, introduction of provincial legislation to expand mental disorder claims coverage in 2012 called for WorkSafeBC to hire and train new staff to meet an anticipated increase in the number and complexity of claims.

Human resources

WorkSafeBC's human resources risk is classed as moderate. Our Human Resources division monitors risk factors associated with employee training and development, talent management and succession planning, staff health and safety, and labour relations, ensuring appropriate plans are in place to mitigate related risks.

Information infrastructure

Our information infrastructure risk has been rated moderate. As we rely on information technology to successfully fulfill our mandate, the security of personal records, reliability of data, and robustness of information systems are essential to all our operations. To mitigate the risk of a system failure or breach, WorkSafeBC has developed and maintains security measures to protect all critical data and systems. We also maintain and regularly test a technology recovery plan that, if activated, would allow key systems to be restored so essential services could be maintained.

Strategic

WorkSafeBC's strategic risk is considered moderate. Our Board of Directors is legislatively responsible for setting the organization's priorities and planning for its future. In 2011, the Board approved a new strategic plan to address challenges in the operating environment that WorkSafeBC is likely to face in the coming years. This strategic plan is outlined in the performance section of this annual report. Progress towards meeting our objectives is measured and discussed, starting on page 25.

Accounting Standards

The financial statements in this annual report were prepared in accordance with International Financial Reporting Standards (IFRS). Prior to adopting IFRS, WorkSafeBC's financial statements were prepared in accordance with Canadian generally accepted accounting principles (Canadian GAAP) that were in effect until December 31, 2010, for publicly accountable enterprises.

Accounting standards continue to evolve and some future changes could significantly impact WorkSafeBC's financial reporting. The International Accounting Standards Board (IASB) projects currently underway that WorkSafeBC is closely monitoring include: insurance contracts (IFRS 4 Phase 2) and related anticipated amendments to financial instruments (IFRS 9 Phase 1: classification and measurement), and leases (IAS 17).

Consolidated Financial Statements

Table of contents

Responsibility for financial reporting

WorkSafeBC's management is responsible for preparing the accompanying consolidated financial statements in accordance with International Financial Reporting Standards. These consolidated financial statements include some amounts based on management's best estimates and judgments.

Management is responsible for the integrity and fairness of the consolidated financial statements and has established systems of internal control to provide reasonable assurance that relevant and reliable financial information is produced and that assets are safeguarded from loss.

The Board of Directors is responsible for overseeing management in the performance of its financial reporting responsibilities and has approved the consolidated financial statements and other financial information included in this annual report.

The Audit Committee assists the Board of Directors in discharging its responsibilities. This committee reviews and recommends approval of the consolidated financial statements and meets periodically with management, internal and external actuaries, and internal and external auditors concerning internal controls and all other matters relating to financial reporting.

WorkSafeBC's actuarial staff performs an annual actuarial valuation of the claim benefit liabilities included in the consolidated financial statements of WorkSafeBC.

Eckler Ltd. has been appointed as the independent peer review actuary to WorkSafeBC. Its role is to complete an independent review of the annual actuarial valuation of the claim benefit liabilities included in WorkSafeBC's consolidated financial statements, and to report thereon in accordance with accepted actuarial practice.

The Internal Audit department performs audits to test the adequacy and consistency of WorkSafeBC's internal controls, practices, and procedures.

WorkSafeBC's external auditor is the Auditor General of British Columbia. The Auditor General has full and unrestricted access to the Audit Committee. The Auditor General has performed an independent audit of WorkSafeBC's consolidated financial statements in accordance with Canadian generally accepted auditing standards. The Auditor General's report outlines the scope of this independent audit and his opinion on the consolidated financial statements of WorkSafeBC.

David Anderson, MBA, FCHRP, C.Dir
President and Chief Executive Officer
WorkSafeBC

Brian Erickson, MBA, CPA, CGA
Chief Financial Officer
WorkSafeBC

April 29, 2014

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the Workers' Compensation Board of British Columbia, and
To the Minister of Jobs, Tourism and Skills Training and Minister Responsible for Labour, Province of British Columbia

I have audited the accompanying consolidated financial statements of the Workers' Compensation Board of British Columbia ("the Entity"), which comprise the consolidated statement of financial position as at December 31, 2013, and the consolidated statement of comprehensive income, the consolidated statement of changes in funded position, and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

In my view, the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Workers' Compensation Board of British Columbia as at December 31, 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Russ Jones

Victoria, British Columbia
April 29, 2014

Russ Jones, MBA, CA
Auditor General

Consolidated statement of financial position
($ Canadian thousands)

Exhibit 1

	Note	December 31, 2013	December 31, 2012	January 1, 2012
	2		(restated)	(restated)
Assets				
Receivables	3	407,612	404,491	413,947
Portfolio investments	4	13,604,254	12,465,819	11,839,877
Property and equipment	5	206,471	203,510	206,036
Intangible assets	5	80,593	86,611	92,607
Benefit asset of employee pension plan	9	173,002	—	4,270
Total assets		**14,471,932**	**13,160,431**	**12,556,737**
Liabilities and funded position				
Outstanding payments	6	24,662	9,307	13,499
Payables and accruals	7	122,930	87,207	66,152
Injured workers' retirement benefit liability	8	29,727	21,500	15,285
Employee benefit liabilities	9	297,556	297,629	253,965
Claim benefit liabilities	10	11,139,881	10,716,030	9,960,795
Total liabilities		**11,614,756**	**11,131,673**	**10,309,696**
Total funded position	Exhibit 3	**2,857,176**	**2,028,758**	**2,247,041**
		14,471,932	**13,160,431**	**12,556,737**

The accompanying notes are an integral part of the consolidated financial statements.

Authorized for issue on April 29, 2014, on behalf of WorkSafeBC's Board of Directors:

George Morfitt, CPA, FCA
Chair, Board of Directors
WorkSafeBC

Alan Cooke, FCIA, FSA
Chair, Audit Committee
WorkSafeBC

Consolidated statement of comprehensive income (loss) for the years ended December 31 ($ Canadian thousands) Exhibit 2

	Note	2013	2012 (restated)
	2		
Revenues			
Premiums	12		
Rateable employers		1,214,472	1,130,304
Self-insured employers	13	28,583	32,663
		1,243,055	1,162,967
Investments	4		
Interest income		135	161
Income distributions from pooled funds		455,649	466,873
Income from investment entities		54,779	42,688
Net realized gains on investments		251,281	196,951
Net unrealized gains on investments		785,262	420,865
		1,547,106	1,127,538
Other income	14	3,999	10,865
Total revenues		**2,794,160**	**2,301,370**
Expenses			
Claim costs	10		
Benefit payments		1,527,727	1,516,699
Changes in actuarial valuation of benefit liabilities		423,851	755,235
		1,951,578	2,271,934
Prevention and administration costs	15		
Prevention costs		61,647	59,666
Administration costs		362,658	362,582
Less: Claim administration costs		(244,359)	(243,699)
		179,946	178,549
Injury research and reduction initiatives	16	12,646	13,153
Investment costs	4	28,238	23,494
Total expenses		**2,172,408**	**2,487,130**
Surplus (deficit) for the year		**621,752**	**(185,760)**
Other comprehensive income (loss)			
Items that will not be subsequently reclassified to income or expenses			
Actuarial gains (losses) on employee benefit plans	9	206,666	(32,523)
Total comprehensive income (loss)		**828,418**	**(218,283)**

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated statement of changes in funded position
($ Canadian thousands)

Exhibit 3

	Note	December 31, 2013	December 31, 2012 (restated)	January 1, 2012 (restated)
	2			
Unappropriated balance — opening balance		766,111	748,871	1,155,102
Surplus (deficit) from operations for the year	Exhibit 2	621,752	(185,760)	(212,904)
Retrospective adjustment for recognition of latent occupational disease liability	2	—	—	(297,327)
Appropriation from Capital Adequacy Reserve		—	203,000	104,000
Unappropriated balance — closing balance		**1,387,863**	**766,111**	**748,871**
Accumulated other comprehensive income (loss) — opening balance		(289,353)	(256,830)	(169,945)
Actuarial gains (losses) of employee benefit plans	9	206,666	(32,523)	(86,885)
Accumulated other comprehensive income (loss) — closing balance		**(82,687)**	**(289,353)**	**(256,830)**
Reserves — opening balance	11	1,552,000	1,755,000	1,859,000
Appropriation from Capital Adequacy Reserve to unappropriated balance		—	(203,000)	(104,000)
Reserves — closing balance		**1,552,000**	**1,552,000**	**1,755,000**
Total funded position		**2,857,176**	**2,028,758**	**2,247,041**

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated statement of cash flows for the years ended December 31 ($ Canadian thousands) Exhibit 4

	Note	2013	2012
Cash obtained from (used for) operating activities			
Cash received from:			
Employers' premiums		1,234,727	1,164,887
Other		3,999	10,865
		1,238,726	1,175,752
Cash paid to:			
Claimants or third parties on behalf of claimants		(1,283,367)	(1,272,999)
Employees and vendors for goods and services		(357,589)	(389,259)
		(1,640,956)	(1,662,258)
Net cash flow from (used for) operating activities		**(402,230)**	**(486,506)**
Cash obtained from (used for) investing activities:			
Interest income		135	161
Sale of portfolio investments		4,067,305	2,650,892
Purchase of portfolio investments		(3,655,517)	(2,141,928)
Sale of property, equipment, and intangible assets		188	160
Purchase of property, equipment, and intangible assets		(25,236)	(18,587)
Net cash flow from investing activities		**386,875**	**490,698**
Net increase (decrease) in cash and cash equivalents		(15,355)	4,192
Cash and cash equivalents — January 1		(9,307)	(13,499)
Cash and cash equivalents — December 31	6	**(24,662)**	**(9,307)**

The accompanying notes are an integral part of the consolidated financial statements.

Notes to the consolidated financial statements for the year ended December 31, 2013

Note 1 — Nature of operations

General information

WorkSafeBC administers the *Workers Compensation Act* (the Act), enacted by the British Columbia (B.C.) Legislature in 1917. The Act was amended in 2002 and 2003 by the *Workers Compensation Amendment Act* (Bill 49 and Bill 63), and by the *Skills Development and Labour Statutes Amendment Act* (Bill 37).

WorkSafeBC has its corporate office in Richmond, B.C., Canada, with area offices in various locations throughout the province of British Columbia.

Under the Act, WorkSafeBC's primary functions include: promoting occupational health and safety; compensating for occupational injury, disease, or death; rehabilitating injured workers; collecting the funds necessary for its operations from employers covered under the Act; and managing the portfolio investments.

Premium rates are established at a level to provide for current and future costs of claims and operations arising from current claims, subject to a capping policy to moderate excessive changes in rates from year to year. WorkSafeBC may also levy a special premium when considered appropriate. For rate-setting purposes, unappropriated balance and accumulated other comprehensive income (loss) are amortized on a five-year averaging basis through adjustments to future premium rates.

WorkSafeBC does not receive government funding or other assistance. It is required by the Act to maintain an Accident Fund sufficient to meet all present and future costs and liabilities for injuries arising in the current and previous years. The financial strategy of WorkSafeBC is to accumulate adequate capital reserves to mitigate the risks in its assets and liabilities. While International Financial Reporting Standards (IFRS) is the basis of reporting its consolidated financial statements, WorkSafeBC applies a smoothed accounting method for its funding policy (see Financial Context, page 16). This funding policy helps WorkSafeBC avoid premium rate volatility caused by short-term financial market fluctuations.

Note 2 — Significant accounting policies ($ Canadian thousands)

Basis of preparation

WorkSafeBC's consolidated financial statements have been prepared in accordance with IFRS in effect as at December 31, 2013, which have been adopted by the Canadian Accounting Standards Board as Canadian generally accepted accounting principles for publicly accountable enterprises. WorkSafeBC presents its consolidated statement of financial position in order of liquidity. The principal accounting policies applied in preparing the consolidated financial statements are set out below.

Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis, except for the carrying value of land which was measured at deemed cost (fair value at the date of transition to IFRS), and certain financial assets and liabilities, measured at fair value, as explained in the accounting policies below.

Basis of consolidation

WorkSafeBC invests in private placements, foreign real estate, and strategic assets through investment entities. In each case, WorkSafeBC owns 100 percent of the participating, non-voting shares of the entity, and British Columbia Investment Management Corporation (bcIMC), WorkSafeBC's investment manager, owns one non-participating voting share of the entity. The voting share gives bcIMC full authority to manage these investment entities on WorkSafeBC's behalf. The substance of the relationship between WorkSafeBC and the investment entities indicates they are controlled by WorkSafeBC. WorkSafeBC has consolidated the financial statements of 60 (2012: 57) investment entities within these financial statements.

Use of estimates and measurement uncertainty

In accordance with IFRS, WorkSafeBC's consolidated financial statements include management's judgments, assumptions, and estimates of the reported amounts of assets and liabilities as at the

Note 2 — continued

date of the consolidated financial statements, as well as the reported amounts of revenues and expenses during the reporting periods presented. As a result, some of the reported amounts are subject to measurement uncertainty. Measurement uncertainty exists when there is a variance between the recognized amount and another reasonable amount. Assumptions and estimates are reviewed on an ongoing basis, with any related revisions recorded in the period when they are adjusted. Consequently, actual results may differ from management's best estimates by material amounts. Claim benefit liabilities and costs (see Note 10); claim administration costs (see Note 10); accrued premiums (see Note 12); employee benefit assets, liabilities, and costs (see Note 9); and Level 3 portfolio investments (see Note 4) are the most significant items that reflect estimates in these consolidated financial statements.

Specific accounting policies and related critical judgments

To facilitate better understanding of WorkSafeBC's consolidated financial statements, significant accounting policies and related critical judgments, where applicable, are disclosed in the notes of the accounting topics. A listing of these notes is as follows:

Changes in accounting policy

Long-latency occupational diseases

In February 2011, the Actuarial Standards Board (Canada) issued new actuarial standards of practice for workers' compensation organizations, requiring the recognition of a liability for long-latency occupational diseases. In 2013, WorkSafeBC early-adopted the Actuarial Standards of Practice — Part 5000 — *Latent Occupational Disease Liability* (LODL). The standard is mandatorily effective for calculations as of December 31, 2014 and later.

The basis for LODL recognition excludes chronic mental stress and repetitive strain injury claims. Accounting for the liability has been performed on a retrospective basis in accordance with IAS 8 (*Accounting Policies, Changes in Accounting Estimates, and Errors*) as a change in accounting policy; as a result, comparative financial statement periods have been restated to reflect the liability and period expenses.

The effect of the adjustments relating to the adoption of the accounting policy on the consolidated statement of financial position is presented in the table that follows.

	December 31, 2012	January 1, 2012
Accounts receivable — self-insured employers	8,726	8,728
Benefit liabilities	329,259	306,055
Unappropriated balance	320,533	297,327

As a result of the retrospective application of this change in accounting policy, the 2012 consolidated statement of comprehensive income was also adjusted: a decrease in self-insured premiums of $2, and an increase in changes in actuarial valuation of benefit liabilities of $23,204.

Consolidation

IFRS 10 (*Consolidated Financial Statements*) was issued in May 2011 (and amended in June 2012 to provide clarification and relief for transitional issues) and became effective for fiscal years beginning on or after January 1, 2013. The standard combined parts of IAS 27 (*Consolidated and Separate Financial Statements*) dealing with consolidated financial statements, and SIC 12 (*Consolidation — Special*

Note 2 — continued

Purposes Entities), which was withdrawn upon the effective date of IFRS 10. WorkSafeBC evaluated the impact and concluded it satisfied the elements for control under the new standard and, as such, continues consolidating the investment entities and reporting on the same basis. The amendments provided transitional relief, limiting the requirement to present adjusted comparative information to only the annual period immediately preceding the first annual period of application. Measurement of the investment entities consolidated was not affected by the application of IFRS 10, therefore the comparative period of January 1, 2012 has not been adjusted. The disclosures in IFRS 12 (*Disclosure of Interests in Other Entities*), also issued in May 2011 (and amended in June 2012), were not required for the consolidated investment entitites (as per the provisions contained in IFRS 12).

Unconsolidated structured entities

IFRS 12 (*Disclosure of Interests in Other Entities*) required additional disclosures regarding the nature and risks associated with WorkSafeBC's investments in pooled funds held within its portfolio investments (see Note 4).

Fair value measurement

IFRS 13 (*Fair Value Measurement*) was issued in May 2011 and became effective for fiscal years beginning on or after January 1, 2013. IFRS 13 applies to both financial instruments and non-financial instrument items where fair value measurements are applied. The standard defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS 13 is an exit price, regardless of whether that price is directly observable or estimated using another valuation technique. WorkSafeBC has evaluated the new standard and concluded there is no impact on the fair value measurement amounts recognized in the consolidated financial statements. Additional disclosures required have been included in the 2013 consolidated financial statements. In accordance with the transitional provisions in IFRS 13, WorkSafeBC has applied the standard prospectively, therefore has not provided comparative information for 2012 disclosures.

Offsetting financial assets and financial liabilities

IFRS 7 (*Financial Instruments: Disclosures*) was amended in December 2011, with amendments effective for fiscal years beginning on or after January 1, 2013. The amendments did not impact the presentation within the consolidated financial statements. The amendments expanded disclosures relating to gross amounts of financial assets and liabilities being offset, and a description with respect to the rights of set-off (see Note 4).

Employee benefits

IAS 19 (*Employee Benefits*) was amended in June 2011, with amendments effective for fiscal years beginning on or after January 1, 2013. The amendments did not impact the consolidated financial statements; WorkSafeBC's accounting policy, as permitted under the previous standard, already recognized actuarial gains and losses immediately within other comprehensive income. The amendments required expanded disclosures primarily relating to the characteristics and risks associated with defined benefit plans (see Note 9) and the elimination of expected return on plan assets, replaced by net interest on the net defined benefit liability or asset. The amendments did not affect measurement of the defined benefit plans, therefore the comparative period of January 1, 2012 has not been adjusted. In accordance with the amendments, the additional disclosures required do not apply to the opening statement of financial position.

Future accounting and reporting changes

The International Accounting Standards Board (IASB) is continually working to improve and develop new accounting standards, and has issued several exposure drafts of new standards, expected to come into effect over the next several years. WorkSafeBC regularly monitors IASB work plans and publications to assess any potential impact on WorkSafeBC.

Revisions to standards that could have significant impact on WorkSafeBC include Phase 2 of IFRS 4 (*Insurance Contracts*) combined with limited modifications to IFRS 9 Phase 1 (*Financial*

Note 2 — continued

Instruments: Classification and Measurement), and IAS 17 (*Leases*). As at December 31, 2013, these projects were in the exposure draft phase of development; hence the impact of new or amended standards was not determinable.

International Financial Reporting Standards issued but not in effect in 2013

Amended IFRS 10 (*Consolidated Financial Statements*), pertaining to investment entities, was issued in October 2012 and effective for annual periods beginning on or after January 1, 2014, with early adoption permitted. WorkSafeBC consolidates its investment entities within its financial statements. WorkSafeBC's consolidated financial statements are not expected to be affected by this amendment.

In June 2013, the IASB issued amendments to IAS 36 (*Impairment of Assets*) requiring enhanced disclosure for impaired assets. The amendments are mandatory for reporting periods beginning on or after January 1, 2014. WorkSafeBC does not expect the amendments to have any impact on the consolidated financial statements.

Note 3 — Receivables ($ Canadian thousands)

Accounting policy

Receivables are non-derivative financial assets, are not quoted in an active market, and have fixed or determinable payments. They primarily arise from premiums, but also incorporate other types of contractual monetary assets. They are classified as amortized cost financial assets, under IFRS 9, and recorded at fair value on initial recognition and subsequently measured at amortized cost.

Investment transactions pending settlement

Investment transactions pending settlement reflect transactions recorded at trade date but not settled at year-end (see Note 4 — recognition and measurement). These amounts pending settlement are recorded as a receivable and represent outstanding receipts for portfolio investments sold.

Accrued premiums

Employers are required to periodically report their assessable payrolls and remit the premiums owing. The employer deadline for reporting and remitting for the period ending December 31 is not until after year-end, so WorkSafeBC estimates the unremitted portion of premium revenue. The accrual of premiums is calculated using the estimated assessable payroll for the year and applying current-year premium rates. The estimated assessable payroll is determined using the actual reported payroll and projected to December 31, taking into account economic changes in the province.

Self-insured employers

The receivable from self-insured employers represents a provision for expected future costs of current claims for self-insured classes, for which the final settlement has not been determined. The receivable also includes unpaid current billings.

Receivables

	December 31, 2013	December 31, 2012	January 1, 2012
Investment transactions pending settlement	—	—	10,006
Premiums receivable			
Premiums and accrued premiums (Note 12)	287,455	278,034	287,136
Self-insured employers (Note 13)	118,966	128,059	126,478
	406,421	406,093	413,614
Prepaid expenses	9,372	11,775	9,250
Other receivables	16,411	18,769	18,422
Provision for doubtful accounts	(24,592)	(32,146)	(37,345)
Total	**407,612**	**404,491**	**413,947**

Note 3 — continued

Changes in the provision for doubtful accounts were as follows:

	Premiums receivable	Other receivables	Total
January 1, 2012	**29,300**	**8,045**	**37,345**
Additions	12,705	4,190	16,895
Write-offs	(5,818)	(2,919)	(8,737)
Reductions	(12,487)	(870)	(13,357)
December 31, 2012	**23,700**	**8,446**	**32,146**
Additions	12,343	4,217	16,560
Write-offs	(5,020)	(3,416)	(8,436)
Reductions	(15,323)	(355)	(15,678)
December 31, 2013	**15,700**	**8,892**	**24,592**

The current portion of Accounts Receivable is estimated to be $311,313.

Credit risk

Premiums receivable are from the employers of B.C. and comprise the full range of credit ratings of all employers. Their credit risk is largely subject to the economic circumstances they face; in periods of economic slowdown, credit risk is increased if some employers experience financial difficulties.

Other receivables, not past due or impaired, have minimal credit risk due to the nature of the counter-party. These are primarily composed of: goods and services tax (GST) refund receivable from the Government of Canada as at December 31, 2013 of $2,324 (December 31, 2012: $4,015; January 1, 2012: $4,656) and vendor deposits as at December 31, 2013 of $1,519 (December 31, 2012: $1,557; January 1, 2012: $2,377).

Liquidity risk

The age of receivables past due but not impaired is as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
0-90 days	6,073	5,878	4,932
91-180 days	2,304	2,120	1,787
181-360 days	5,586	5,617	4,681
361+ days	2,972	3,084	7,013
Total	**16,935**	**16,699**	**18,413**

Accounts receivable determined to be individually impaired include: employer accounts on which WorkSafeBC has obtained judgments attaching liens to land and insolvent accounts, of $4,496 as at December 31, 2013, (December 31, 2012: $5,890; January 1, 2012: $8,048); and other specific employers with evidence of unlikely collection totalling $2,884 (December 31, 2012: $9,562; January 1, 2012: $9,718).

Note 4 — Portfolio investments ($ Canadian thousands)

Accounting policy

WorkSafeBC invests in fixed-income, equity, inflation-sensitive, and other investments. The inflation-sensitive category includes asset classes with valuations that are affected by the inflation rate over the long term. The investments are held directly, through pooled fund products, and through investment entities managed by British Columbia Investment Management Corporation (bcIMC).

Classification

IFRS 9 Phase 1 (*Financial Instruments: Classification and Measurement*) was early adopted effective January 1, 2011 by WorkSafeBC. This standard requires that reporting entities classify financial assets based on the objective of an entity's business model for managing its financial assets and the characteristics of the contractual cash flows. IFRS 9 permits two classifications for financial assets: fair value through profit or loss (FVTPL), and amortized cost.

All WorkSafeBC's portfolio investments, except directly held real-return bonds, are mandatorily classified as FVTPL investments. WorkSafeBC elected to designate its investment in directly held real-return bonds as FVTPL investments, as permitted under IFRS 9 Phase 1. All portfolio investments are reported at fair value. The amounts by which fair value for these investments differ from cost represents unrealized gains or losses and are recognized as investment income on the consolidated statement of comprehensive income.

Unconsolidated structured entities

WorkSafeBC invests in pooled funds. The funds' objectives range from achieving short-term investment income to long-term capital growth. As at December 31, 2013, WorkSafeBC's interests range from 0 percent (rounded) to 41 percent of the net assets of the pooled funds that are held directly; and varying percentages for pooled funds held through investment entities, none of which are individually significant. WorkSafeBC's investments in these funds do not satisfy the elements for control and have not been consolidated. The majority of funds are managed by bcIMC. WorkSafeBC holds redeemable units in each of its investee funds that entitle the holder to a proportional share in the respective fund's net assets.

These investments are carried at fair value and are presented as part of the portfolio investments in the consolidated statement of financial position. The change in fair value of the pooled funds is included in the consolidated statement of comprehensive income in net unrealized gains on investments.

WorkSafeBC's maximum exposure to loss from its interest in the pooled funds is equal to the total fair value of its investments.

Recognition and measurement

WorkSafeBC uses trade-date accounting for the purchase and sale of all financial instruments in its investment portfolio. Transactions are recorded on the date an agreement is entered (the trade date), not on the date the transaction is finalized (the settlement date). If the transaction involves interest, it is also recorded on the trade date. Where there are investment transactions pending settlement at December 31, this is disclosed as a receivable or payable (see Notes 3 and 7).

WorkSafeBC's portfolio investments are measured at fair value. The fair value of foreign currency exchange contracts and the directly held real-return bond are based on quoted prices. Pooled funds (excluding domestic real estate) are determined as WorkSafeBC's share of the net asset value of the pooled fund, which has been derived from external quotations. Domestic real estate, foreign real estate, private placement investments, renewable resources, and infrastructure investments fair values are based on net fair values of the assets, and are supported by independent appraisals using the most appropriate valuation technique for each type of investment (see below — fair value hierarchy).

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amount and an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. Currency hedging contracts are accounted for on this basis.

Investments denominated in foreign currency are translated into Canadian dollars at the exchange rate in effect at the consolidated statement of financial position date. Revenues and expenses are translated at the exchange rates in effect on the transaction date.

Note 4 — continued

The foreign currency exchange gains or losses for these investments are recorded in the same manner as other investment gains or losses.

Income recognition

Investment income includes interest income, income distributions from pooled funds, and income from investment entities.

For directly held real-return bonds, WorkSafeBC applies the effective interest rate method for income recognition.

WorkSafeBC recognizes investment income from pooled funds when the income is distributed from the fund to unitholders. These distributions are automatically reinvested into the pool.

Income from private placements, infrastructure, renewable resources, and foreign real estate investment vehicles is recognized through consolidation (see Note 2 — basis of consolidation). The consolidated financial statements include the investment entities' income and expenses, with all inter-company transactions eliminated on consolidation.

Fair value adjustments at the reporting date are disclosed as unrealized gains or losses in the consolidated statement of comprehensive income. When an investment is sold, the cumulative unrealized gain or loss is reclassified as a realized gain or loss in investment income on the consolidated statement of comprehensive income in the year of disposition.

Current portion

The realization of portfolio investments is dependent upon operational needs to ensure adequate cash is available for payment of WorkSafeBC's obligations, mainly benefit liabilities (see Note 10 for the estimated percentage of payments expected for the next 12 months) and administration expenses.

Portfolio investments

	December 31, 2013			
	Investments in pooled funds	**Investments held directly**	**Investments held through investment entities**	**Total**
Fixed-income investments				
Money market funds	154,339	—	—	154,339
Bond funds	2,365,069	—	—	2,365,069
Mortgage fund	424,595	—	—	424,595
	2,944,003	—	—	2,944,003
Equity investments				
Canadian index equity fund	759,882	—	—	759,882
Active Canadian equity funds	932,181	—	—	932,181
U.S. index equity fund	376,353	—	—	376,353
Active U.S. equity funds	1,417,991	—	—	1,417,991
Active international equity funds	1,482,463	—	—	1,482,463
Active global equity funds	532,437	—	—	532,437
Emerging markets equity funds	443,780	—	—	443,780
Currency hedging contracts	—	(2,217)	—	(2,217)
Private placements	—	—	728,470	728,470
	5,945,087	(2,217)	728,470	6,671,340
Inflation-sensitive investments				
Real-return bond	—	5,369	—	5,369
Real-return bond fund	245,169	—	—	245,169
Infrastructure	—	—	749,166	749,166
Renewable resources	—	—	187,609	187,609

Note 4 — continued

Portfolio investments — continued

	December 31, 2013			
	Investments in pooled funds	Investments held directly	Investments held through investment entities	Total
Domestic real estate fund	2,413,509	—	—	2,413,509
Foreign real estate	—	—	182,826	182,826
Currency hedging contracts	—	(4,551)	—	(4,551)
	2,658,678	818	1,119,601	3,779,097
Other investments				
All Weather Fund	209,814	—	—	209,814
Total	**11,757,582**	**(1,399)**	**1,848,071**	**13,604,254**

	December 31, 2012			
	Investments in pooled funds	Investments held directly	Investments held through investment entities	Total
Fixed-income investments				
Money market fund	102,680	—	—	102,680
Bond funds	3,182,135	—	—	3,182,135
Mortgage fund	536,313	—	—	536,313
	3,821,128	—	—	3,821,128
Equity investments				
Canadian index equity fund	766,991	—	—	766,991
Active Canadian equity funds	789,372	—	—	789,372
U.S. index equity fund	465,358	—	—	465,358
Active U.S. equity funds	856,016	—	—	856,016
Active international equity funds	831,611	—	—	831,611
Active global equity fund	113,592	—	—	113,592
Emerging markets equity funds	376,050	—	—	376,050
Currency hedging contracts	—	(278)	—	(278)
Private placements	—	—	662,432	662,432
	4,198,990	(278)	662,432	4,861,144
Inflation-sensitive investments				
Real-return bond	—	6,107	—	6,107
Real-return bond fund	375,251	—	—	375,251
Strategic equity fund	231,045	—	—	231,045
Infrastructure	—	—	734,042	734,042
Renewable resources	—	—	67,805	67,805
Domestic real estate fund	2,207,982	—	—	2,207,982
Foreign real estate	—	—	161,315	161,315
	2,814,278	6,107	963,162	3,783,547
Total	**10,834,396**	**5,829**	**1,625,594**	**12,465,819**

Note 4 — continued

Hedging contracts assets and liabilities offset

WorkSafeBC has an enforceable right of offset with counter-parties for its currency hedging contract sets, and intends to settle these on a net basis. The arrangement permits WorkSafeBC to settle the contract sets on a net basis with the counter-parties. All contracts have settlement dates within one year. The following table discloses the gross amounts of hedging contracts offset within the tables above.

	Gross amount of receivable contracts	Gross amount of payable contracts	Net amount offset presented in the consolidated statement of financial position	Allocated to: Equity investments	Allocated to: Inflation-sensitive investments
December 31, 2013					
Liabilities	384,011	(391,540)	(7,529)	(2,893)	(4,636)
Assets	130,692	(129,931)	761	676	85
Net total liabilities presented in portfolio investment assets			**(6,768)**	**(2,217)**	**(4,551)**
December 31, 2012					
Liabilities	89,702	(90,432)	(730)	(730)	—
Assets	57,584	(57,132)	452	452	—
Net total liabilities presented in portfolio investment assets			**(278)**	**(278)**	—

Investment income

	2013				
	Fixed-income investments	Equity investments	Inflation-sensitive investments	Other investments	Total
Interest income	—	—	135	—	135
Income distributions from pooled funds	104,883	187,077	163,689	—	455,649
Income (loss) from investment entities					
Infrastructure	—	—	36,982	—	36,982
Private placements	—	14,281	—	—	14,281
Foreign real estate	—	2,218	—	—	2,218
Renewable resources	—	—	1,298	—	1,298
	—	16,499	38,280	—	54,779
Realized gains on investments	78,561	131,517	41,203	—	251,281
Unrealized gains (losses) on investments	(198,309)	983,048	(6,613)	7,136	785,262
Total	**(14,865)**	**1,318,141**	**236,694**	**7,136**	**1,547,106**

Note 4 — continued

Investment income — continued

	2012				
	Fixed-income investments	Equity investments	Inflation-sensitive investments	Other investments	Total
Interest income	—	—	161	—	161
Income distributions from pooled funds	152,949	136,004	177,920	—	466,873
Income from investment entities					
Infrastructure	—	—	31,352	—	31,352
Private placements	—	10,573	—	—	10,573
Foreign real estate	—	914	—	—	914
Renewable resources	—	—	(151)	—	(151)
	—	11,487	31,201	—	42,688
Realized gains on investments	3,254	15,549	178,148	—	196,951
Unrealized gains (losses) on investments	(19,137)	385,849	54,153	—	420,865
Total	**137,066**	**548,889**	**441,583**	**—**	**1,127,538**

Investment expenses

	2013	2012
External investment management fees	27,241	22,524
Internal investment management fees	997	970
Total	**28,238**	**23,494**

Fair value hierarchy

Portfolio investments have been classified into a three-level fair value hierarchy in accordance with IFRS 7 (*Financial Instruments: Disclosures*). Fair value hierarchy levels are defined as follows:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities. They offer the most persuasive evidence of fair value and are used whenever possible.
- Level 2 inputs are market-based inputs that are directly or indirectly observable but not considered Level 1-quoted prices. They consist of: i) quoted prices for similar assets or liabilities in active markets; ii) quoted prices for identical assets or liabilities in non-active markets (e.g., markets that have few transactions and prices are not current or price quotations vary substantially); iii) inputs other than quoted prices that are observable (e.g., interest rates, yield curves, volatilities, credit risks, and default rates); and iv) inputs derived from, or corroborated by, observable market data.
- Level 3 inputs are unobservable inputs. They reflect assumptions about market pricing using the best internal and external information available, as provided to WorkSafeBC by bcIMC. The valuation approaches applied are the most appropriate for the type of investments.

The fair values of portfolio investments are adjusted to incorporate the counter-party risk of non-performance. In certain situations, WorkSafeBC uses inputs to measure the fair value of asset positions that fall into different levels of the fair value hierarchy. In these situations, WorkSafeBC will determine the level in which the fair value falls based on the lowest-level

Note 4 — continued

input that is significant to determining the fair value. Fund holdings is the unit of account applied for classification within the fair value hierarchy, as a result; WorkSafeBC does not have any Level 1 holdings. The fair values of assets and liabilities measured by level of input were as follows:

	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
December 31, 2013				
Fixed-income investments	—	2,944,003	—	2,944,003
Equity investments	—	5,942,870	728,470	6,671,340
Inflation-sensitive investments	—	245,987	3,533,110	3,779,097
Other investments	—	209,814	—	209,814
Total portfolio investments at fair value	**—**	**9,342,674**	**4,261,580**	**13,604,254**
December 31, 2012				
Fixed-income investments	—	3,821,128	—	3,821,128
Equity investments	—	4,198,712	662,432	4,861,144
Inflation-sensitive investments	—	612,403	3,171,144	3,783,547
Total portfolio investments at fair value	**—**	**8,632,243**	**3,833,576**	**12,465,819**

Figures at December 31, 2012, disclosures have been amended for classification to conform to this unit of account disclosures.

Portfolio investments measured at a fair value using significant unobservable inputs (Level 3):

	2013	2012
Opening balance as at January 1	3,833,576	3,294,354
Realized and unrealized gains	181,100	260,034
Purchases	467,434	634,753
Settlements	(220,530)	(355,565)
Closing balance as at December 31	**4,261,580**	**3,833,576**

There were no transfers of assets between levels in either 2013 or 2012.

Unrealized gains of $887,618 attributable to assets held at December 31, 2013, (December 31, 2012: $713,558) are included within the gains in the Level 3 equity instruments.

Valuation techniques

WorkSafeBC's investment portfolio is measured at fair value on a recurring basis. The fair values are determined as the net asset value, as provided by the fund administrator (bcIMC) for pooled funds. The bcIMC obtains the values for each holding annually, as determined by external managers and valuators, using accepted industry valuation methods most suitable for the type of business or property held by the funds.

Note 4 — continued

The following table provides information surrounding the valuation techniques employed for assets directly held by level of the hierarchy, and the significant unobservable inputs for each.

Level 2 assets

Valuation technique	**Significant unobservable inputs**
Market approaches:	
• Derived from external quotations	N/A
• Net asset values provided by fund administrators	N/A

Level 3 assets

Valuation technique	**Significant unobservable inputs**
Market approaches:	
• Appraisals • Third-party transactions	Adjustment to current conditions and attributes of comparables
Income approaches:	
• Discounted cash flows	Longer-term operating margin and discount rate for lack of liquidity
• Earnings multiples	Variability of earnings and discount rate for lack of liquidity

WorkSafeBC does not have sufficient information to provide sensitivities, with respect to changes to the unobservable inputs, on the fair values of the investments in the table above.

Investment risk management

WorkSafeBC's Board of Directors is responsible for developing policies to ensure adequate funding of the Accident Fund, and for approving investments of funds under Section 82(2)(c) of the *Workers Compensation Act*. To this end, the Board of Directors has developed an investment policy specifying the asset allocation target and limits for investing funds. To assist the Board in discharging these responsibilities, it has appointed an Investment Committee consisting of internal and independent external voting members. This committee manages WorkSafeBC's investment portfolio under the parameters set out by the Board of Directors' statement of investment policies and goals for the Accident Fund.

Under the direction of the Investment Committee, within the parameters established by the Board of Directors, management and investment of the portfolio is carried out by bcIMC.

The portfolio investments disclosures above show the investments in pooled funds by type of fund (i.e., the primary investment focus), while investments held directly are shown by investment type. Many of the pooled funds hold cash, net investment receivables and payables, and/or small amounts of other investments outside their primary investment focus. For the purpose of describing WorkSafeBC's exposure to investment risk in pooled funds, the risk analysis has been prepared using the holdings of funds, and therefore the risks described are indirect risks, and indivisibly linked to the exposure of the underlying assets of the funds.

Credit risk management

Credit risk on financial instruments arises from the possibility of a counter-party to an instrument failing to meet its obligations. Therefore, all issuers of debt instruments — including government, non-government, and other counter-parties — must have a strong credit

Note 4 — continued

rating to be eligible for consideration by WorkSafeBC as a direct investment. For indirect investments in pooled funds, WorkSafeBC mitigates indirect credit risk exposure by ensuring the Accident Fund invests in pooled funds with investment policies that provide an adequate minimum credit rating, as determined by bcIMC's internal credit-rating process, and a well-diversified portfolio with limited exposure to any one entity, industry, or country. WorkSafeBC does not have material direct credit risk exposure.

Foreign exchange risk management

WorkSafeBC holds investments directly, and through investment entities, which are denominated in foreign currencies, and as such is directly exposed to the currency risks shown in the table below.

	December 31, 2013	December 31, 2012
Currency	**Total**	**Total**
U.S. dollars	1,062,270	878,262
Other currencies	449,253	359,068
Total	**1,511,523**	**1,237,330**

Inflation risk management

WorkSafeBC is exposed to fluctuations in the inflation rate because its compensation benefits are indexed annually to the increase in the annual Canadian consumer price index (CPI), as measured in October each year, less 1 percent, up to a maximum annual rate of 4 percent and minimum of zero. To mitigate the effect of inflation on WorkSafeBC's future liabilities, the Accident Fund holds inflation-sensitive assets including real estate, infrastructure, renewable resources, and real-return bonds.

Liquidity risk management

The Accident Fund is exposed to liquidity risk because it must provide funding for WorkSafeBC operations, such as benefit payments and administration expenses. WorkSafeBC always maintains a portion of its investments in fixed-income pooled funds, which are highly liquid. WorkSafeBC has made commitments to participate in future funding for investment purchases (see Note 17). If necessary, units of pooled fund investments will be liquidated to satisfy these funding requirements.

There were no restrictions on the redemptions of WorkSafeBC's portfolio investments for the reporting period, except for the investments listed in the following table. The investments listed in the table below cannot be sold or converted easily to cash in a timely and cost-effective manner, due to the absence of active markets.

	December 31, 2013	December 31, 2012
Equity investments		
Private placements	728,470	662,432
Inflation-sensitive investments		
Infrastructure	749,166	734,042
Renewable resources	187,609	67,805
Domestic real estate fund	2,413,509	2,207,982
Foreign real estate	182,826	161,315
Total	**4,261,580**	**3,833,576**

Note 4 — continued

Interest rate risk management

Fluctuations in interest rates can affect the fair value of the fixed-income portfolio and shift investor preferences among asset classes. WorkSafeBC's investments are directly exposed to interest rate risk through its investment in a real-return bond, and indirectly through its investments in fixed-income pooled funds. Interest rate risk is minimized by managing the duration of the fixed-income portfolio through a directly held real-return bond, which matures on December 1, 2026, and through investments in fixed-income pooled funds holding assets with different maturity terms.

Real estate risk management

Risk in the real estate portfolio is managed by investing across real estate types and locations. Adverse effects in any one segment of the market or geographic location are minimized through diversification, which includes investments in domestic real estate indirectly held through a pooled fund, and foreign real estate directly held through investment entities.

Industry and geographic risk management

Global indirect public equity investments are monitored and reviewed on a quarterly basis to ensure appropriate diversification is achieved.

Market risk

Market risk is the risk of loss in the value of portfolio investments that may arise due to changes in market factors such as public equity prices, interest rates, foreign exchange rates, and valuations of real estate, private placements, infrastructure, and renewable resources. These changes are subject to economic factors and other movements in global capital markets. As previously disclosed, market risk is managed by bcIMC and the Investment Committee, and through risk monitoring and portfolio diversification. WorkSafeBC is exposed to varying levels of market risk depending on the type of investment and conditions within various global markets.

The following tables provide estimates of the potential dollar impact on the fair value of investments when there are material changes in key risk variables such as equity market indices, interest rates, currency exchange rates, and valuations of real estate, private placements, infrastructure, and renewable resources. Each table shows the potential impact of the risk under normal market conditions within the 12-month period following the statement of financial position date. The lower of the two risk scenarios represents the more likely consequence for the specific asset class, if market forces move in an adverse direction. The higher risk scenario is less likely to occur. It should be noted that each table shows the impact of the specific downside risk, independent of the correlation to other market variables, and that these estimates do not address worst-case scenarios or potential losses arising from even more extreme market conditions and events.

Price risk

The following table presents the estimated effect of a material adverse change in the equity index benchmark for each geographic category of the public equity investments through pooled funds. Standard deviations are based on historical values for the past five years of market benchmark indices ending on December 31, 2013.

	One standard deviation	Two standard deviations
Percentage decrease in Canadian equity market benchmark	12.6%	25.3%
Estimated loss in fair value — Canadian equity pooled funds	$215,000	$430,000
Percentage decrease in global equity market benchmark	11.1%	22.2%
Estimated loss in fair value — global equity pooled funds (including U.S., global, and international)	$425,000	$845,000
Percentage decrease in emerging markets equity market benchmark	15.5%	30.9%
Estimated loss in fair value — emerging markets equity pooled funds	$70,000	$135,000

Note 4 — continued

The following table presents the estimated effect of a material adverse change in the valuations of WorkSafeBC's indirect investments in domestic real estate and All Weather pooled funds, and direct investments in foreign real estate, private placements, infrastructure, and renewable resources.

	Scenario 1	Scenario 2
Decline in value of assets	10%	20%
Estimated loss in fair value — Domestic real estate fund	$240,000	$485,000
Estimated loss in fair value — Foreign real estate	$20,000	$35,000
Estimated loss in fair value — Private placements	$75,000	$145,000
Estimated loss in fair value — Infrastructure	$75,000	$150,000
Estimated loss in fair value — Renewable resources	$20,000	$40,000
Estimated loss in fair value — All Weather fund	$20,000	$40,000

The following table presents the estimated effect of a material adverse change in the valuations of WorkSafeBC's investments in fixed-income pooled funds and directly held real-return bond due to changes in the nominal and real interest rates.

	Scenario 1	Scenario 2
Basis points increase in nominal interest rate	75bp	150bp
Estimated loss in fair value — money market pooled funds	$—	$—
Basis points increase in nominal interest rate	75bp	150bp
Estimated loss in fair value — bond-pooled funds	$105,000	$210,000
Basis points increase in nominal interest rate	75bp	150bp
Estimated loss in fair value — mortgage-pooled fund	$5,000	$10,000
Basis points increase in real interest rate	75bp	150bp
Estimated loss in fair value — directly held real-return bond	$—	$—
Basis points increase in real interest rate	75bp	150bp
Estimated loss in fair value — real-return bond fund	$30,000	$55,000

Currency risk

The following table presents the estimated effect of a material adverse change in the Canadian dollar/U.S. dollar and other currency exchange rates on foreign currency-based direct investments in foreign real estate, private placements, infrastructure, and renewable resources. For the purpose of this analysis, the base exchange rates are the exchange rates at December 31, 2013.

	Scenario 1	Scenario 2
Appreciation in the Canadian dollar (vs. U.S. dollar)	10%	20%
Estimated loss in fair value — foreign real estate, private placements, infrastructure, and renewable resources	$95,000	$175,000
Appreciation in the Canadian dollar (vs. other currencies)	10%	20%
Estimated loss in fair value — foreign real estate, private placements, infrastructure, and renewable resources	$40,000	$75,000

Encumbrances

As at December 31, 2013, the real-return bond valued at $5,369 (2012: $6,107) on a fair value basis was pledged as collateral for the issuance of a letter of credit to guarantee U.S. $2,053 of credit facilities for Transelec S.A., the largest electricity transmission company in Chile. It is expected this pledge will be required as long as the credit facilities are required by Transelec S.A.

Note 5 — Property, equipment, and intangible assets ($ Canadian thousands)

Accounting policies

Recognition and measurement

Property, equipment, and intangible assets are reported at historical cost less accumulated depreciation/amortization and any amount for impairment.

Operating systems represent the direct costs incurred in developing new internally generated systems. Costs are deferred and amortized on a straight-line basis on the date the asset is ready to use. Project costs incurred in the definition stage for feasibility studies are recognized in administration costs in the consolidated statement of comprehensive income as incurred.

Additions and subsequent expenditures are capitalized only to the extent they enhance future economic benefits expected to be derived from the asset — either a significant extension of the asset's expected useful life, or major enhancements to the asset's functions.

Expenditures incurred to replace a component of an asset are separately capitalized and the replaced component is derecognized. All other expenditures, including maintenance, costs of minor enhancements, and costs of minor extension of an asset's useful life, are recognized in administration costs in the consolidated statement of comprehensive income as incurred.

Finance leases, which transfer substantially all the risks and benefits incidental to ownership of a leased item, are capitalized as assets at the inception of the lease, at the present value of the minimum lease payments. The carrying value of leased office equipment held under these finance leases at December 31, 2013, was $3,192 (December 31, 2012: $4,244). Under the terms of the leasing agreements, WorkSafeBC has pledged the assets as collateral for the liability, and cannot assign, sell, or transfer these assets.

Measurement of land

WorkSafeBC elected to use fair value at the date of transition to IFRS (January 1, 2010) as the deemed cost for land — a one-time election available under IFRS 1 (*First-time Adoption of IFRS*). The fair value of land at the date of transition was $145,873 and the adjustment to the carrying amount of land was $142,113, recognized directly in unappropriated balance. The fair value was determined by an independent property appraisal company, with appropriate recognized professional qualifications and recent experience in the location and type of property being appraised. Acquisitions of land subsequent to January 1, 2010, will be measured at historical cost.

Depreciation and amortization

Depreciation and amortization is charged to administration costs in the consolidated statement of comprehensive income beginning on the date the asset is ready for use, on a straight-line basis, over the estimated useful life of the asset or the major component of an asset. Useful lives and any residual values of assets are reviewed annually to take into account any change in circumstances, including technological obsolescence, redundancy due to change in business strategy or economic conditions, and physical deterioration or loss. Land is not depreciated as it is deemed to have an indefinite life.

The range of estimated useful lives of assets is captured in the following table.

Property and equipment:	
Buildings	10–40 years
Equipment	2–7 years
Furniture	10 years
Vehicles	7 years
Intangible assets:	
Operating systems	5–10 years
Computer software	3 years

Impairment

Property, equipment, and intangible assets are assessed at each statement of financial position date to determine whether there is any indication of impairment. If any such indication exists, the assets are subject to an impairment review. If an asset is impaired, an impairment loss is recognized in administration costs in the consolidated statement of comprehensive income.

IAS 36 (*Impairment of Assets*) requires an entity to test assets for impairment when indicators of impairment exist. The impairment review must be conducted for an individual asset, an asset group, or the cash-generating unit level, the smallest identifiable group of assets that generates cash inflows independent of cash inflows from other assets or groups of assets.

Note 5 — continued

Based on an analysis of cash flows, WorkSafeBC has established that the appropriate cash-generating unit for impairment review is the entity. As WorkSafeBC has statutory power under the *Workers Compensation Act* to increase premiums and/or impose levies to ensure full funding into the foreseeable future, impairment at the entity level is remote. On an annual basis, WorkSafeBC conducts a review to ensure no events or changes in circumstance have occurred that would provide evidence of impairment.

As at December 31, 2013, and 2012, management conducted an impairment indicator review at the entity level; it confirmed no significant impairment indicators — changes in the legislative, economic, or business environment — that would have a material impact on WorkSafeBC's ability to generate future economic benefits from its operating (non-financial) assets.

Property and equipment

	Land	Buildings	Furniture and equipment	Vehicles	Total
Cost	145,873	108,331	34,121	11,383	299,708
Less: Accumulated depreciation	—	64,392	22,316	6,964	93,672
Balance at January 1, 2012	**145,873**	**43,939**	**11,805**	**4,419**	**206,036**
Changes during the year:					
Cost					
Additions	—	2,276	6,519	420	9,215
Disposals	—	(3,792)	(3,623)	(859)	(8,274)
Less: Accumulated depreciation					
Depreciation	—	4,594	5,577	1,510	11,681
Disposals	—	(3,792)	(3,623)	(799)	(8,214)
Balance at December 31, 2012	**145,873**	**41,621**	**12,747**	**3,269**	**203,510**
Representing:					
Cost	145,873	106,815	37,017	10,944	300,649
Less: Accumulated depreciation	—	65,194	24,270	7,675	97,139
Balance at December 31, 2012	**145,873**	**41,621**	**12,747**	**3,269**	**203,510**
Changes during the year:					
Cost					
Additions	—	3,324	8,931	2,460	14,715
Disposals	—	(1,616)	(7,540)	(1,881)	(11,037)
Less: Accumulated depreciation					
Depreciation	—	4,510	5,655	1,517	11,682
Disposals	—	(1,616)	(7,510)	(1,839)	(10,965)
Balance at December 31, 2013	**145,873**	**40,435**	**15,993**	**4,170**	**206,471**
Representing:					
Cost	145,873	108,523	38,408	11,523	304,327
Less: Accumulated depreciation	—	68,088	22,415	7,353	97,856
Balance at December 31, 2013	**145,873**	**40,435**	**15,993**	**4,170**	**206,471**

Deferred costs of $1,371 are included in buildings and $12 in furniture and equipment (2012: $941 and $502 respectively). Depreciation of these assets will begin when they are ready to use.

Note 5 — continued

Intangible assets

	Computer software	Operating systems	Total
Cost	18,266	210,127	228,393
Less: Accumulated amortization	13,510	122,276	135,786
Balance at January 1, 2012	**4,756**	**87,851**	**92,607**
Changes during the year:			
Cost			
Additions	358	9,014	9,372
Disposals	(139)	(1,524)	(1,663)
Less: Accumulated amortization			
Amortization	848	14,520	15,368
Disposals	(139)	(1,524)	(1,663)
Balance at December 31, 2012	**4,266**	**82,345**	**86,611**
Representing:			
Cost	18,485	217,617	236,102
Less: Accumulated amortization	14,219	135,272	149,491
Balance at December 31, 2012	**4,266**	**82,345**	**86,611**
Changes during the year:			
Cost			
Additions	1,851	8,671	10,522
Disposals	(753)	(10,646)	(11,399)
Less: Accumulated amortization			
Amortization	665	15,556	16,221
Disposals	(753)	(10,327)	(11,080)
Balance at December 31, 2013	**5,452**	**75,141**	**80,593**
Representing:			
Cost	19,583	215,642	235,225
Less: Accumulated amortization	14,131	140,501	154,632
Balance at December 31, 2013	**5,452**	**75,141**	**80,593**

Included in the operating systems and computer software are deferred costs of $9,602 and $2,997 respectively (2012: operating systems — $9,093, computer software — $NIL). Amortization of these assets will begin when they are ready to use.

Note 6 — Cash and cash equivalents ($ Canadian thousands)

Cash and cash equivalents include cash on hand, cheques, and other items in transit. Outstanding payments represent the value of cheques issued but not cashed, and are presented as cash and cash equivalents on the consolidated statement of cash flows. In the event these cheques are cashed and there are insufficient funds held at that time in its bank accounts, WorkSafeBC has credit facilities available to use. The unused credit facility as at December 31, 2013, was US$1,999 (2012: US$1,994). Additionally, WorkSafeBC is a partner in an offset program with the Province of B.C.; this partnership enables WorkSafeBC to access additional credit facilities for varying amounts in connection with the daily cash balance of the partners.

Outstanding payments

	December 31, 2013	December 31, 2012	January 1, 2012
Outstanding cheques	24,662	9,307	13,499

The full amount of outstanding payments is expected to be settled within 12 months, and therefore classified as a current liability.

Note 7 — Payables and accruals ($ Canadian thousands)

Accounting policy

Payables and accruals are financial liabilities which represent obligations to pay for goods or services received by WorkSafeBC in the ordinary course of operations. WorkSafeBC recognizes a liability and an expense for goods upon receipt or transfer of control, and for services when they have been performed. Other payables include credit balances on employer accounts. The timing and amount of payables and accruals are readily determinable. These amounts are normally settled before the end of the next reporting period, except for the two- to five-year finance lease obligations as shown in the table that follows.

Finance lease obligations within the scope of IAS 17 (*Leases*) are not subject to measurement and disclosure requirements under IFRS 13 (*Fair Value Measurement*). All other payables and accruals in the table are classified as amortized cost under IFRS 9, and are recorded at fair value on initial recognition and subsequently measured at amortized cost.

Investment transactions pending settlement

Investment transactions pending settlement reflect transactions recorded at trade date but not settled at year-end (see Note 4 — recognition and measurement). These amounts pending settlement are recorded as a payable and represent outstanding payments for portfolio investments purchased.

Finance lease obligations

WorkSafeBC's leases of personal computers and printers are classified as finance leases. Determination of whether an arrangement is a finance lease, which transfers substantially all the risks and benefits incidental to ownership of the leased item, is based on the substance of the arrangement at the inception of the lease. The lease obligation and asset are recognized at the lease's inception and measured at the present value of the minimum lease payments, applying the interest rate implicit in the lease. Monthly payments are apportioned between finance charges (charged to operating surplus or deficit) and the reduction of lease liability, so as to achieve a constant rate of interest on the liability's remaining balance.

Note 7 — continued

Payables and accruals

	December 31, 2013	December 31, 2012
Investment transactions pending settlement	48,588	19,558
Accrued staff salaries	30,712	37,513
Vendor payables	25,293	19,150
Finance lease obligations	3,442	4,363
Other payables and accruals	14,895	6,623
Total	**122,930**	**87,207**

Payables and accruals expected to be settled within 12 months total $120,548.

The terms of the finance leases are two and three years for personal computers, and three and five years for printers, with the interest rate implicit in the leases averaging 4.9 percent as at December 31, 2013 (December 31, 2012: 5.0 percent).

Scheduled finance lease payments are as follows:

	December 31, 2013			December 31, 2012		
	Minimum lease payments	**Finance charges**	**Present value**	**Minimum lease payments**	**Finance charges**	**Present value**
0–1 year	2,212	52	**2,160**	2,693	72	**2,621**
2–5 years	1,409	127	**1,282**	1,919	177	**1,742**
Total	**3,621**	**179**	**3,442**	**4,612**	**249**	**4,363**

Note 8 — Injured workers' retirement benefit liability ($ Canadian thousands)

Accounting policy

The injured workers' retirement benefit obligation is a financial liability which represents obligations under Section 23.2 of the *Workers Compensation Act*, effective for all injuries occurring on or after June 30, 2002. This section requires that WorkSafeBC contribute a monthly amount for permanently disabled workers, equal to 5 percent of a worker's permanent disability monthly benefit payment. This amount is over and above the benefit payment issued monthly and separate from the long-term disability benefit liability (see Note 10). In addition, a worker may voluntarily choose to contribute between 1 and 5 percent of his or her monthly benefit.

WorkSafeBC recognizes a liability for these amounts when the worker's permanent disability monthly benefit is paid. The injured workers' retirement benefit liability provides for interest at the greater of WorkSafeBC's annual smoothed accounting rate of return or the Government of Canada 90-day treasury bill rate. Future cash flows to be paid to a worker are discounted at a rate equal to the rate of interest. Upon the earlier of death or reaching age 65, workers (or their beneficiary in the case of death) receive a lump-sum payout of these amounts and the liability is derecognized.

The injured workers' retirement benefit liability is classified as amortized cost, under IFRS 9, and recorded at fair value on initial recognition and subsequently measured at amortized cost.

Note 8 — continued

Injured workers' retirement benefit liability

Changes in the injured workers' retirement benefit liability were as follows:

	2013	2012
Balance at January 1	21,500	15,285
Interest income	1,493	489
Contributions by WorkSafeBC	7,087	5,775
Contributions by injured workers	1,042	787
Benefits paid	(1,395)	(836)
Balance at December 31	**29,727**	**21,500**

The duration of the liability is estimated, based on injured workers attaining the age of 65, as follows:

	December 31, 2013
Under 1 year	1,310
1–5 years	7,016
5–10 years	6,804
Over 10 years	14,597
Total	**29,727**

Note 9 — Employee benefit assets, liabilities, and costs ($ Canadian thousands)

Accounting policies

Post-employment benefits

WorkSafeBC has employee benefit plans that provide pension benefits and post-employment health care benefits for its employees. The cost of the plans and present value of obligations are determined using actuarial valuations. The actuarial valuations involve making assumptions about discount rates, rates of returns on net assets, future salary increases, mortality rates, and future pension changes. Due to the complexity of the valuations, the underlying assumptions, and the long-term nature, the obligations are sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Details of key assumptions used in the estimates are disclosed below.

Employee pension plans

WorkSafeBC and its employees contribute to the Workers' Compensation Board (WCB) Superannuation Plan, a defined benefit plan. Appointed by WorkSafeBC's Board of Directors, three trustees are responsible for overseeing prudent investment of the WCB Superannuation Plan assets and ensuring its administration services are provided to plan members. Of these three appointments, one trustee represents WorkSafeBC, another represents WorkSafeBC employees, while the third is an independent trustee nominated jointly by the other two trustees.

The plan provides pensions based on length of service and the employee's best five-year average earnings. The pensions vest after two years of contributory service. In accordance with the WCB Superannuation Plan rules, WorkSafeBC may apply surplus funds to reduce or eliminate contributions that might otherwise be required.

For funding purposes, and to determine employee/employer contribution rates, the plan requires an actuarial valuation of plan liabilities at intervals of not more than three years. The last valuation was carried out as at March 31, 2012, the results of which were used to derive the projected liabilities at year-end.

The WCB Superannuation Plan is subject to the *Pension Benefits Standards Act* of British Columbia and, as such, requires certain certifications relating to the plan's solvency. In accordance with the *Pension Benefits Standards Act*, WorkSafeBC must adequately

Note 9 — continued

fund all benefits earned by plan members and is required to make scheduled special payments to make up any funding deficit.

The last actuarial valuation, as at March 31, 2012, required minimum solvency amortization payments of $13,907 per year for five years from that date. Pursuant to Section 35.1 of the B.C. Pension Benefits Standards Regulations, WorkSafeBC used a letter of credit to secure the solvency amortization payments that would have been otherwise payable in the period from April 1, 2012, to December 31, 2013. The $25,500 letter of credit was issued on January 25, 2013, expiring on January 31, 2014. On December 16, 2013, WorkSafeBC amended the existing letter of credit, extending the expiry date to January 31, 2015, and increasing the amounts progressively to cover the cumulative solvency deficiency payments due as outlined in the following table.

Date	Increase	New amount of letter of credit
February 1, 2014	$3,100	$28,600
April 1, 2014	$3,700	$32,300
July 1, 2014	$3,800	$36,100
October 1, 2014	$3,700	$39,800

WorkSafeBC also has a supplementary executive retirement plan (SERP). Established effective January 1, 2009, it provides additional pension benefits to designated executives. Pension benefits in this plan, which is not funded, are based on the same earnings as the WCB Superannuation Plan. For financial reporting purposes, an actuarial valuation for the SERP was carried out as of December 31, 2013. The SERP amounts are included in the detailed disclosures for the employee pension plan in tables within this note. The present value of the defined benefit obligation for the SERP at December 31, 2013, was $2,168 (December 31, 2012: $1,411; January 1, 2012: $796).

Post-employment health care plan

WorkSafeBC also has a financial obligation related to the basic medical and extended health care benefits it provides eligible WorkSafeBC retirees. WorkSafeBC employees are not required to contribute toward these health care benefits.

Actuarial assumptions and method

The cost of the pension and post-employment health care benefits earned by employees is actuarially determined using the projected benefit method which is prorated on service and actuarial assumptions about discount rates, returns on net assets, future salary increases, retirement ages of employees, mortality rates, and expected health care costs. Due to the long-term nature of the plans, such estimates are subject to significant uncertainty. All actuarial gains and losses are recognized as they occur through other comprehensive income in the statement of comprehensive income.

The significant actuarial assumptions adopted in valuing WorkSafeBC's benefit plan expenses are shown in the table that follows.

	Employee pension plans		Post-employment health care plan	
	2013	2012	2013	2012
Discount rate	4.80%	3.80%	4.80%	3.80%
Future salary increases/health care cost increases	2.50%	1.00%	4.50%	3.00%

The rates shown in the 2013 column were effective as of December 31, 2013. The rates were applied in determining the benefit plan balances at December 31, 2013. Rates shown in the 2012 column were effective from December 31, 2012, to December 30, 2013. The 2012 rates were applied in determining 2013 benefit plans expenses.

Note 9 — continued

Long-term disability benefits

Long-term disability benefits are provisions that represent the present obligation for the amount of income to be provided to employees unable to work for a long time due to non-work-related illness or injury. WorkSafeBC recognizes the provision when the disability occurs. As at December 31, 2013, the present value of the obligation was calculated using a net discount rate (relative to CPI inflation) of 3.0 percent (December 31, 2012: 3.0 percent).

Long-service benefits

Long-service benefits are liabilities that represent the amount payable to employees who have completed at least 10 years of service with WorkSafeBC. WorkSafeBC recognizes the liability as the employees render the service which accumulates towards the entitlement of the long-service benefits. The benefit vests after 10 years of service, with payment made upon termination, death, or retirement. WorkSafeBC has recognized the expected benefit liability applying a 3.5 percent discount rate as at December 31, 2013, (December 31, 2012: 3.0 percent) equal to the yield on high-quality corporate bonds with the same estimated term as the liability.

Other benefits

Other benefits include liabilities for workers' compensation claims from WorkSafeBC employees and accumulated sick leave.

Workers' compensation claims are liabilities representing the present obligation for expected employee claim costs. WorkSafeBC recognizes the provision when the claim is accepted. As at December 31, 2013, the present value of the obligation was calculated using a net discount rate (relative to CPI inflation) of 3.0 percent (December 31, 2012: 3.0 percent).

Accumulated sick leave represents future payments expected to exceed the annual current entitlement that can be used by employees in future periods. Accumulated sick leave does not vest. WorkSafeBC recognizes the sick leave benefit obligation as the employees render the service which accumulates entitlement.

Employee benefit liabilities

WorkSafeBC has several employee benefit plans including pension benefits, post-employment health care benefits, long-term disability benefits, long-service benefits, and other benefits liabilities. The liabilities consist of the following:

	December 31, 2013	December 31, 2012
Employee pension plans	—	33,982
Post-employment health care benefit plan	182,003	158,573
Accrued long-term disability	72,100	65,500
Accrued long-service benefits	36,468	32,543
Accrued other benefits	6,985	7,031
Total	**297,556**	**297,629**

The current portion of the employee benefit liabilities is estimated to be $18,822.

The benefit asset of the employee pension plan is shown in the table on page 109.

Note 9 — continued

Employee pension and post-employment health plans

Some disclosure figures have been restated for 2012 (the comparative period) in accordance with IAS 19-Revised (*Employee Benefits*), effective January 1, 2013. The revisions were not material.

The amounts recognized in the consolidated statement of financial position are determined as follows:

	Employee pension plans	
	December 31, 2013	December 31, 2012
Present value of defined benefit obligations	(1,353,784)	(1,401,872)
Fair value of plan assets	1,526,786	1,367,890
Funded status — plan surplus (deficit)	**173,002**	**(33,982)**
Benefit asset (liability)	**173,002**	**(33,982)**

	Post-employment health care plan	
	December 31, 2013	December 31, 2012
Present value of defined benefit obligation	(182,003)	(158,573)
Fair value of plan assets	—	—
Funded status — plan surplus (deficit)	**(182,003)**	**(158,573)**
Benefit asset (liability)	**(182,003)**	**(158,573)**

Changes in the defined benefit obligation were as follows:

	Employee pension plans		Post-employment health care plan	
	2013	2012	2013	2012
Balance January 1	1,401,872	1,241,344	158,573	147,917
Current service cost	36,096	30,151	6,401	6,021
Employer contribution receivable	(165)	(160)	—	—
Interest cost	52,770	52,969	5,969	6,301
Contributions by plan participants	16,268	15,393	—	—
Net transfers in from other plans	321	1,386	—	—
Actuarial losses (gains) arising from:				
Changes in demographic assumptions	—	21,831	—	5,884
Changes in financial assumptions	(122,770)	73,889	15,210	5,232
Experience adjustments	14,702	3,019	(1,159)	(10,028)
Benefits paid	(45,310)	(37,950)	(2,991)	(2,754)
Balance December 31	**1,353,784**	**1,401,872**	**182,003**	**158,573**

The current portion of the employee pension plan liability is estimated to be $37,245.

Note 9 — continued

Changes in the fair value of plan assets were as follows:

	Employee pension plans		Post-employment health care plan	
	2013	2012	2013	2012
Balance January 1	1,367,890	1,245,614	—	—
Return-on-plan assets (excluding amounts included in net interest expense)	112,649	67,304	—	—
Interest income	51,908	52,897	—	—
Employer contributions	24,931	25,052	2,991	2,754
Employer contribution receivable	(1,871)	(1,806)	—	—
Employee contributions	16,268	15,393	—	—
Benefits paid	(45,310)	(37,950)	(2,991)	(2,754)
Net transfers in from other plans	321	1,386	—	—
Balance December 31	**1,526,786**	**1,367,890**	**—**	**—**

The amounts recognized in the consolidated statement of comprehensive income are as follows:

	Employee pension plans		Post-employment health care plan		Total	
	2013	2012	2013	2012	2013	2012
Recognized in administration expenses:						
Employer current service cost	36,096	30,151	6,401	6,021	42,497	36,172
Net interest cost	862	72	5,969	6,301	6,831	6,373
	36,958	**30,223**	**12,370**	**12,322**	**49,328**	**42,545**
Recognized in other comprehensive income:						
Actuarial losses (gains) on plan liabilities arising from:						
Changes in demographic assumptions	—	21,831	—	5,884	—	27,715
Changes in financial assumptions	(122,770)	73,889	15,210	5,232	(107,560)	79,121
Experience adjustments	14,702	3,019	(1,159)	(10,028)	13,543	(7,009)
Return on plan assets (excluding amounts included in net interest expense)	(112,649)	(67,304)	—	—	(112,649)	(67,304)
	(220,717)	**31,435**	**14,051**	**1,088**	**(206,666)**	**32,523**
Total benefit plan expenses	**(183,759)**	**61,658**	**26,421**	**13,410**	**(157,338)**	**75,068**

Note 9 — continued

Cumulative actuarial gains (losses) recognized in other comprehensive income:

	Employee pension plans		Post-employment health care plan		Total	
	2013	2012	2013	2012	2013	2012
As at January 1	(271,566)	(240,131)	(17,787)	(16,699)	(289,353)	(256,830)
Actuarial gains (losses) on plan liabilities for the year	108,068	(98,739)	(14,051)	(1,088)	94,017	(99,827)
Actuarial gains (losses) on plan assets for the year	112,649	67,304	—	—	112,649	67,304
As at December 31	**(50,849)**	**(271,566)**	**(31,838)**	**(17,787)**	**(82,687)**	**(289,353)**

Employee pension plans and post-employment health care benefit plan risks

WorkSafeBC is subject to the risks attached to assumptions employed in determining net plan obligations. Changes in assumptions may negatively impact the net funded position of the plans. The most significant assumption risks are discussed below.

Investment risk

The present value of the defined benefit plans' liabilities is calculated using a discount rate determined by reference to high-quality corporate bond yields. If actual returns on pension plan assets are below this rate, the plan's funded status will decrease. See below for WorkSafeBC's asset-liability matching strategy.

Interest risk

A decrease in the bond interest rate will increase the plans' liabilities, however any related effect may be partially offset by an increase in the return on the pension plan's debt investments.

Mortality risk

The present value of the defined benefit plans' liabilities is calculated by referencing the best estimate of the mortality of plan members. An increase in their life expectancy will subsequently increase the plans' liabilities.

Salary risk

The present value of the defined benefit pension plan liability is calculated by referencing the estimated increase in future salaries of plan members. As such, an increase in their salaries in excess of the estimate will subsequently raise the pension plans' liability.

Health care cost risk

The present value of the post-employment health care benefit plan liability is calculated by referencing estimated future health care costs. As such, an increase in health care costs in excess of the estimate of plan members will increase the post-employment health care benefit plan's liability.

Asset-liability matching strategy

Periodic asset/liability studies are conducted to review the WCB Superannuation Plan investment policy. The primary objective of the policy is to manage risks related to the asset mix, considering both returns and risks of classes of investments, in conjunction with the anticipated amounts and timing of liability payments. The policy identifies a targeted asset mix and range of acceptable level of investments for each investment type and sub-class. Pension plan assets are managed by British Columbia Investment Management Corporation (bcIMC), investing in fixed-income, equity, inflation-sensitive, and other investments, directly held or through pooled funds. The assets and related performance of plan assets are monitored on a quarterly basis by plan trustees.

Note 9 — continued

Sensitivity of employee pension plan and post-employment health care benefit plan liability

The significant actuarial assumptions for determining the employee defined benefit plan liabilities are discount rate, life expectancy, expected salary increases, and health care costs. The effect on the employee defined benefit obligations of a change in the assumptions applied is as follows.

	2013				
		Pension plans		**Post-employment health care plan**	
Effect on defined benefit obligations of an increase/ decrease in the following assumptions:	**Change in assumption**	**Increase**	**Decrease**	**Increase**	**Decrease**
Discount rate	0.5%	(5.2)%	5.8%	(8.4)%	9.5%
Mortality rates	10%	(1.3)%	1.5%	(3.4)%	3.8%
Salary increase	0.5%	0.9%	(0.9)%	—	—
Health care costs	0.5%	—	—	9.6%	(8.4)%

Assumptions regarding the life expectancy of plan members are set, based on actuarial advice, by referencing the best estimate of their mortality. These assumptions translate into an average life expectancy in years for a pensioner retiring at age 65.

The sensitivity analysis presented in the table above may not be representative of the actual change in the defined benefit obligation, as it is unlikely a change in assumptions would occur in isolation of one another, as some assumptions may correlate.

Comparative figures for 2012 have not been disclosed in accordance with the provisions of IAS 19-Revised (*Employee Benefits*) for accounting periods that begin prior to January 1, 2014.

Note 9 — continued

Employee pension plan assets

The WCB Superannuation Plan assets at fair value are listed in the following table. With the exception of the currency hedging contracts, all plan assets are held in pooled funds, which are at unquoted prices.

	December 31, 2013 Total	December 31, 2012 Total
Fixed-income investments		
Money market funds	13,768	8,525
Bond funds	371,394	337,631
Mortgage funds	47,698	57,653
	432,860	403,809
Equity investments		
Canadian index equity fund	64,814	72,779
Active Canadian equity funds	102,356	87,830
U.S. index equity fund	92,507	96,303
Active U.S. equity funds	71,333	49,107
International index equity funds	106,463	62,771
Active international equity funds	33,199	29,135
Global equity fund	100,678	52,218
Emerging markets equity funds	94,718	97,829
Currency hedging funds	3,880	3,421
Currency hedging contracts	(76)	—
Private placements funds	71,252	61,832
	741,124	613,225
Inflation-sensitive investments		
Real-return bond	414	455
Real-return bond fund	51,099	59,162
Strategic equity fund	—	19,226
Infrastructure funds	60,246	58,673
Domestic real estate fund	206,359	200,020
Foreign real estate funds	11,806	10,247
Renewable resources funds	15,004	5,416
Currency hedging contracts	(337)	—
	344,591	353,199
Other investments		
All Weather Fund	14,603	—
Other assets/liabilities		
Cash/receivables and payables	(6,392)	(2,343)
Total	**1,526,786**	**1,367,890**

Note 9 — continued

Future cash flows

Contributions to the pension plans are expected to continue at the existing rates until after completion of the next actuarial valuation, as at March 31, 2015.

Based on the actuarial valuation performed as at March 31, 2012, the average duration of the benefit obligation at December 31, 2013, and 2012 is 14 years. The estimated maturity of the obligation, also based on the latest actuarial valuation, is as follows:

	December 31, 2013	December 31, 2012
Active members	17 years	17 years
Terminated members	15 years	15 years
Retired members	9 years	9 years

WorkSafeBC anticipates $41,112 will be contributed to the employee defined benefit pension plan in 2014, consisting of $16,881 from employee contributions and $24,231 from employer contributions.

Risk management

The pension plan investments disclosure shows investments in pooled funds by type of fund (i.e., the primary investment focus), and investments held directly are shown by investment type. Many of the pooled funds hold cash, net investment receivables and payables, and/or small amounts of other investments outside their primary investment focus.

Market risk

Plan assets are invested in fixed-income, equity, inflation-sensitive, and other assets, and as such are subject to market risk. Market risk is the risk of loss in the value of pension plan investments that may arise due to changes in market factors, such as public equity prices, interest rates, foreign exchange rates, and valuations of real estate, private placements, infrastructure, and renewable resources. These changes are subject to economic factors and other movements in global capital markets.

Credit risk management

Credit risk on financial instruments arises from the possibility of a counter-party to an instrument failing to meet its obligations. Thus, all issuers of debt instruments — including government, non-government, and other counter-parties — must have a minimum credit rating of BBB+ to be eligible for consideration as an investment by the WCB Superannuation Plan. WorkSafeBC does not have material direct credit risk exposure.

Foreign exchange risk management

The WCB Superannuation Plan holds investments denominated in foreign currencies, indirectly through the investments in pooled funds, which are exposed to currency risk.

Real estate risk management

Indirect risk in the real estate portfolio of WCB Superannuation Plan assets is managed by investing across real estate types and locations. Adverse effects in any one segment of the market or geographic location are minimized through diversification, including investments in domestic and foreign real estate.

Industry and geographic risk management

Global public equity investments in pooled funds are monitored and reviewed on a quarterly basis to help ensure appropriate diversification is achieved.

Related party transactions — employee pension plan

WorkSafeBC provides pension plan benefits for its employees. Transactions with the WCB Superannuation Plan are transactions between related parties, as detailed in the following table:

Transactions	2013	2012
Contributions from employees	16,416	15,455
Contributions from employer	24,931	25,052

All terms and conditions of the post-employment benefit plans remained unchanged throughout 2012 and 2013. The plans did not provide guarantees to any parties.

Note 10 — Claim benefit liabilities and costs ($ Canadian thousands)

Accounting policy

Benefit liabilities fall into three categories:

- Unfinalled claim liabilities consisting of:
  - A provision for future payments on claims not finalized to date
  - The capitalized value of the estimated future cost of administering existing claims
- Capitalized value of future monthly payments for pension awards already made (pension fund liabilities) under the long-term disability and survivor benefits
- Long-latency occupational disease liability (LODL) for claims which will be diagnosed in the future, but for which some exposure to disease-causing agents has already occurred

For the first two categories, at the end of the year WorkSafeBC determines its claim benefit liabilities for all injuries that have occurred to that time. WorkSafeBC recognizes these claim benefit liabilities in the year a reported compensable workplace injury occurs or disease is diagnosed, as defined by the *Workers Compensation Act* of British Columbia and/or by WorkSafeBC policy. For the third category, long-latency occupational disease claims, the liability is determined as the estimated future benefit payments anticipated on expected disease claims which will be diagnosed in the future, for which some exposure to a disease-causing agent has already occurred. These estimated future benefit payments are discounted and adjusted to reflect the estimated portion for the total latency period exposure which has transpired to the valuation date.

Benefit liabilities are measured, by applying actuarial methods, as the present value of all future benefit payments expected to be made for claims occurring in the current fiscal year or in any prior year. Benefit liabilities include provision for all benefits covered by applicable legislation, policies, and/or administrative practices in respect of existing claims.

WorkSafeBC's internal actuary sets the actuarial assumptions and methods and computes the benefit liabilities. An independent actuary is appointed to validate and express an opinion on these elements. The opinion of the independent actuary is appended to these consolidated financial statements.

Liability for long-latency occupational disease claims

In February 2011, the Canadian Actuarial Standards Board issued new actuarial standards of practice for workers' compensation organizations requiring the recognition of a liability for long-latency occupational diseases. These are occupationally caused diseases, currently recognized as compensable, that will manifest as claims in future years for which there has already been partial exposure to the disease-causing agent, but no current disease diagnosis. In 2013, WorkSafeBC early adopted the Actuarial Standards of Practice — Part 5000 — *Latent Occupational Disease Liability* (LODL). The standard is effective for calculations dated December 31, 2014, and later.

The basis for recognizing the LODL excludes chronic mental stress and repetitive strain injuries. Accounting for this liability has been performed on a retrospective basis in accordance with IAS 8 (*Accounting Policies, Changes in Accounting Estimates and Errors*) as a change in accounting policy; as a result, comparative financial statement periods have been restated to reflect the liability and period expenses (see Note 2).

The effect of the adoption of the accounting policy resulted in an increase in benefit liabilities of $329,259 and $306,055 as at December 31, 2012, and January 1, 2012, respectively.

Note 10 — continued

Actuarial assumptions and methods

The following table summarizes the main underlying actuarial assumptions used to estimate the three categories of benefit liabilities noted above.

	Actuarial assumptions								
					Economic assumptions				
	Runoff pattern	Future mortality	Expense rate	Latency period	Investment return	CPI increase	Wage growth	Health care inflation	Claim administration inflation
Unfinalled claim liabilities									
Short-term disability	✔				✔	✔	✔		
Long-term disability	✔	✔			✔	✔	✔		
Survivor benefits	✔	✔			✔	✔	✔		
Health care	✔				✔			✔	
Vocational rehabilitation	✔				✔	✔	✔		
Claim administration			✔		✔	✔	✔		✔
Pension fund liabilities									
Long-term disability		✔			✔	✔			
Survivor benefits		✔			✔	✔			
Long-latency occupational disease liability		✔		✔	✔	✔	✔	✔	✔

Runoff pattern

Methods and assumptions

The runoff pattern for unfinalled claims is intended to be an unbiased estimate of the future cost runoff on existing claims. It is normally calculated using the average runoff pattern of the five most recent calendar years. This averaging period may be modified where there is reason to believe the observed experience in the most recent five years is not representative of future expected payments.

Strengths and limitations

The main strength of this methodology is that it recognizes recent payment patterns which normally should be representative of future payment patterns, at least in the short-to-medium term. Further, using a multi-year average pattern provides greater credibility to the runoff pattern assumption and reduces the impact of random statistical fluctuations.

The main limitation of the method is that the recent payment pattern is assumed to apply to the long-tailed portion of the business (mainly long-term disability and health care), which may extend as far as 50 years from the date of injury. The risk that actual future payment patterns will differ from those assumed increases as one moves into the medium-to-long duration portion of the liability.

Future mortality

Methods and assumptions

Future mortality rates must be estimated to determine the liability for monthly pensions established for long-term disability claimants and the dependants receiving survivor benefits. This mortality basis is used for both the unfinalled claims liability and pension fund liability. In 2012, WorkSafeBC revised its mortality assumptions to reflect the longer lifespan of injured workers who receive pension benefits.

Note 10 — continued

The mortality assumptions are reviewed and revised approximately every five years. The effect of the mortality basis change was a $169,838 increase to claims costs in 2012.

Mortality assumptions are intended to be unbiased estimates of future mortality experiences among WorkSafeBC pension recipients (claimants and survivors).

The mortality assumptions are determined through a two-stage process:

- First, the mortality levels currently experienced by pensioners (long-term disability and survivor benefits) are measured via a study of recent actual experience of these claimants and survivors. The Canada Life mortality tables published by Statistics Canada are also used in assessing current mortality levels.
- The mortality rates are then projected forward. This involves reducing the mortality rates to allow for anticipated greater longevity in the future. The improvement rates used are based on studies and projections by the Social Security Administration (SSA) agency in the United States. These improvement rates have historically paralleled the improvements observed for WorkSafeBC claimants.

Strengths and limitations

The main strength of this methodology is that the actual mortality experience of WorkSafeBC pension recipients (claimants and survivors) serves as the starting point for a mortality assumption.

The methodology's main limitation is the risk that future mortality improvements of these pension recipients will deviate from the assumed improvements derived from the SSA studies.

Expense rate

Methods and assumptions

The expense rate is the ratio of claim administration costs divided by benefit dollars paid (or capitalized, in the case of pension awards): how much it costs to pay one dollar of claim benefits.

Expense rates are determined by periodically examining actual claim administration expenses incurred in a given year (across all cost centres in WorkSafeBC) as a proportion of the claim payments/awards in that year. These expense rates vary by benefit type and are intended to represent the ongoing cost of administering existing claims. These expense rates are the prime drivers for calculating claim administration liability.

Strengths and limitations

The main strength of this methodology is that WorkSafeBC's actual expense and claim payment/award levels are reflected in the derivation of the expense rates; expense levels are those actually experienced by WorkSafeBC.

The methodology's main limitation is the risk that future expense levels will deviate from current expense levels, either understating or overstating claim administration liability.

Latency period

Latency period represents the number of years between the initial exposure of the disease-causing agent and the time of diagnosis for each disease type. The latency period is estimated based on available information from medical literature.

Economic assumptions

These benefits are calculated using a discount rate of 3.0 percent; the assumption is that investment income will be earned at an annual rate that is 3.0 percent higher than the annual rate of general inflation in the long term. This real discount rate gives rise to the net discount rates used to calculate various components of the benefit liabilities. These net discount rates are the differences between the assumed investment rate (long-term assumption of 5.5 percent return) and the assumed growth rates of the specific factors driving benefit increases. These net discount rates are as follows:

Factor	**Net discount rate**	
	2013	2012
Health care inflation	0.0%	0.0%
Wage growth	2.0%	2.0%
Claim administration inflation	2.5%	2.5%
Benefits indexed to inflation minus 1%	4.0%	4.0%

Note 10 — continued

Benefit liabilities

	2013							
	Short-term disability	**Long-term disability**	**Survivor benefits**	**Health care**	**Vocational rehabilitation**	**Claim administration**	**Latent occupational diseases**	**Total**
Balance — January 1	327,485	5,881,792	909,797	2,326,829	250,770	690,098	329,259	10,716,030
Add: Claim costs:								
Current year's injuries	289,048	299,303	28,713	349,422	90,993	241,082		1,298,561
Prior years' injuries	7,517	355,786	43,456	151,584	60,153	21,498		639,994
	296,565	655,089	72,169	501,006	151,146	262,580		1,938,555
Less: Claim payments made:								
Current year's injuries	152,737	3,397	868	105,952	2,590	110,879		376,423
Prior years' injuries	143,123	465,281	66,561	232,104	110,755	133,480		1,151,304
	295,860	468,678	67,429	338,056	113,345	244,359		1,527,727
Add: Latent occupational diseases							13,023	13,023
Balance — December 31	**328,190**	**6,068,203**	**914,537**	**2,489,779**	**288,571**	**708,319**	**342,282**	**11,139,881**
Represented by:								
Provision for unfinalled claims	328,190	1,841,315	95,791	2,489,779	288,571	708,319		5,751,965
Pension awards, capitalized values	—	4,226,888	818,746	—	—	—		5,045,634
Latent occupational diseases							342,282	342,282
Total	**328,190**	**6,068,203**	**914,537**	**2,489,779**	**288,571**	**708,319**	**342,282**	11,139,881

WorkSafeBC anticipates that $1,121,502 of the claim liability will be settled within 12 months, and is therefore considered the current portion.

Note 10 — continued

Benefit liabilities

	2012							
	Short-term disability	**Long-term disability**	**Survivor benefits**	**Health care**	**Vocational rehabilitation**	**Claim administration**	**Latent occupational diseases**	**Total**
Balance — January 1	304,200	5,667,107	866,859	1,959,085	227,247	630,242	306,055	9,960,795
Add: Claim costs:								
Current year's injuries	293,085	284,551	26,648	330,544	82,176	233,351		1,250,355
Prior years' injuries	31,553	263,037	47,307	204,742	52,711	70,204		669,554
	324,638	547,588	73,955	535,286	134,887	303,555		1,919,909
Less: Claim payments made:								
Current year's injuries	155,807	3,361	1,020	103,992	2,477	104,398		371,055
Prior years' injuries	145,546	463,652	65,725	222,533	108,887	139,301		1,145,644
	301,353	467,013	66,745	326,525	111,364	243,699		1,516,699
Add:								
Mortality basis change	—	134,110	35,728	—	—	—		169,838
Health care net discount rate change	—	—	—	158,983	—	—		158,983
Latent occupational diseases							23,204	23,204
	—	134,110	35,728	158,983	—	—	23,204	352,025
Balance — December 31	**327,485**	**5,881,792**	**909,797**	**2,326,829**	**250,770**	**690,098**	**329,259**	**10,716,030**
Represented by:								
Provision for unfinalled claims	327,485	1,760,786	87,002	2,326,829	250,770	690,098		5,442,970
Pension awards, capitalized values	—	4,121,006	822,795	—	—	—		4,943,801
Latent occupational diseases							329,259	329,259
Total	**327,485**	**5,881,792**	**909,797**	**2,326,829**	**250,770**	**690,098**	**329,259**	**10,716,030**

The 2012 mortality basis change resulted from a revision of mortality assumptions reflecting the continuing and longer lifespan of injured workers receiving pension benefits.

Note 10 — continued

The following is a reconciliation of claim benefit liabilities:

	2013							
	Short-term disability	Long-term disability	Survivor benefits	Health care	Vocational rehabilitation	Claim administration	Latent occupational diseases	Total
Balance — January 1	327,485	5,881,792	909,797	2,326,829	250,770	690,098	329,259	10,716,030
Add:								
Provision for current year's injuries	136,311	295,906	27,845	243,470	88,403	130,203		922,138
Accretion expense for prior years' liabilities	9,434	208,308	32,200	81,247	7,695	22,703	12,098	373,685
Prior years' claim costs experience higher (lower) than expected	(1,917)	147,478	11,256	70,337	52,458	(1,205)		278,407
Latent occupational diseases							925	925
	143,828	651,692	71,301	395,054	148,556	151,701	13,023	1,575,155
Less:								
Payments for prior years' injuries	143,123	465,281	66,561	232,104	110,755	133,480		1,151,304
Balance — December 31	**328,190**	**6,068,203**	**914,537**	**2,489,779**	**288,571**	**708,319**	**342,282**	**11,139,881**

	2012							
	Short-term disability	Long-term disability	Survivor benefits	Health care	Vocational rehabilitation	Claim administration	Latent occupational diseases	Total
Balance — January 1	304,200	5,667,107	866,859	1,959,085	227,247	630,242	306,055	9,960,795
Add:								
Provision for current year's injuries	137,278	281,190	25,628	226,552	79,699	128,953		879,300
Accretion expense for prior years' liabilities	10,020	228,130	34,978	77,738	8,014	23,729	12,835	395,444
Prior years' claim costs experience higher (lower) than expected	21,533	34,907	12,329	127,004	44,697	46,475		286,945
Latent occupational diseases							10,369	10,369
Mortality basis change	—	134,110	35,728	—	—	—		169,838
Health care net discount rate change	—	—	—	158,983	—	—		158,983
	168,831	678,337	108,663	590,277	132,410	199,157	23,204	1,900,879
Less:								
Payments for prior years' injuries	145,546	463,652	65,725	222,533	108,887	139,301		1,145,644
Balance — December 31	**327,485**	**5,881,792**	**909,797**	**2,326,829**	**250,770**	**690,098**	**329,259**	**10,716,030**

Accretion expense for prior years' liabilities represents the expected interest accrued for opening benefit liabilities.

Note 10 — continued

Changes in actuarial valuation of benefit liabilities

	2013			2012		
	Claim costs	**Less: Benefit payments**	**Changes in actuarial valuation of benefit liabilities**	**Claim costs**	**Less: Benefit payments**	**Changes in actuarial valuation of benefit liabilities**
Short-term disability	296,565	295,860	705	324,638	301,353	23,285
Long-term disability	655,089	468,678	186,411	547,588	467,013	80,575
Survivor benefits	72,169	67,429	4,740	73,955	66,745	7,210
Health care	501,006	338,056	162,950	535,286	326,525	208,761
Vocational rehabilitation	151,146	113,345	37,801	134,887	111,364	23,523
	1,675,975	1,283,368	392,607	1,616,354	1,273,000	343,354
Claim administration	262,580	244,359	18,221	303,555	243,699	59,856
	1,938,555	1,527,727	410,828	1,919,909	1,516,699	403,210
Latent occupational disease	13,023	—	13,023	23,204	—	23,204
Mortality basis change	—	—	—	169,838	—	169,838
Health care net discount rate change	—	—	—	158,983	—	158,983
Total	**1,951,578**	**1,527,727**	**423,851**	**2,271,934**	**1,516,699**	**755,235**

Sensitivity of actuarial assumptions ($ Canadian millions)

The most significant assumption in determining claim benefit liabilities is the net discount rates. These rates are differences between the assumed investment rate (long-term assumption of 5.5 percent return) and the assumed growth rates of the specific factors driving benefit increases. A reduction in the assumed net discount rates would increase claim benefit liabilities and reduce the operating surplus, and vice versa.

The following table shows the sensitivity of claim benefit liabilities to an immediate 1 percent increase or decrease in these key net discount rate assumptions used to determine the liabilities.

	Net discount rate		**Increase (decrease) in liabilities ($ millions)**			
	2013	2012	2013		2012	
+/- % change on net discount rates			**+1%**	**-1%**	**+1%**	**-1%**
Health care inflation	0.0%	0.0%	$(312)	$402	$(290)	$373
Wage growth	2.0%	2.0%	$(122)	$144	$(114)	$135
Claim administration inflation	2.5%	2.5%	$ (55)	$ 68	$ (53)	$ 65
General inflation rate	3.0%	3.0%	$(595)	$702	$(590)	$698

Management of insurance risks and rate-setting

In accordance with the *Workers Compensation Act*, the Accident Fund is financed by charging annual assessment rates to employers. These are applied as a percentage of assessable payroll to determine the premium each employer must pay.

The annual rate applicable to a given employer is determined as the sum of four main components:

- The cost of new injuries — calculated based on the industry in which the employer operates and historical actuarial cost experience of that industry
- Amortization of the industry surplus or deficit — each industry group maintains its own insurance pool and is responsible for funding any deficits and receives the benefit (rate reduction) of any surpluses
- Capping of rate increases and decreases — the change in rate for any classification unit within an industry group is usually limited to a 20 percent increase or decrease according to WorkSafeBC's normal rate-setting practices
- Experience rating — the actual rate paid by a given employer within an industry group is further increased or decreased depending on the relative historical cost performance of the employer relative to other employers in that industry group

Under the *Workers Compensation Act*, WorkSafeBC has the power to set assessment rates to recover any shortfalls in assessment collection, or fund any required reserves.

Concentration of risks

WorkSafeBC underwrites workplace injury insurance for all employers across the entire province of British Columbia. Premium rates charged to employers differ by industry, reflecting the variety of loss frequencies experienced in different industries. In addition, rates charged for employers in the same industry are further adjusted, based on the historical claims experience of each employer relative to the industry as a whole. WorkSafeBC is also potentially subject to risks resulting from litigation or legislative changes. Such changes can produce an immediate pervasive increase in the cost of the entire portfolio of insurance contracts.

Liquidity of benefit liability risks

The following table estimates the expected amounts and timing of future benefit and associated claim administration payments for the provision of outstanding claims. The expected timing of payments from the provision for outstanding claims involves considerable uncertainty.

Expected timing of future payments for outstanding claims	2013	2012
Up to 1 year	5%	5%
Over 1 year and up to 5 years	14%	13%
Over 5 years and up to 10 years	15%	15%
Over 10 years and up to 15 years	14%	14%
Over 15 years	52%	53%
Total	**100%**	**100%**

Claims development ($ Canadian millions)

In the following table, cumulative claim costs are shown for each Year of Injury (YOI) and Year of Estimate (YOE). Each cell contains actual costs paid from YOI to YOE, plus estimated costs projected to be paid beyond the YOE.

	Year of injury ($ millions)										
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	Total
Year of estimate											
2004	1,097										
2005	1,093	1,136									
2006	1,031	1,075	1,121								
2007	971	1,032	1,102	1,186							
2008	938	1,007	1,096	1,200	1,274						
2009	911	980	1,074	1,196	1,268	1,235					
2010	888	957	1,049	1,182	1,268	1,175	1,112				
2011	886	950	1,056	1,206	1,310	1,198	1,139	1,236			
2012	901	967	1,081	1,237	1,372	1,267	1,269	1,381	1,466		
2013	908	973	1,088	1,255	1,391	1,287	1,294	1,422	1,520	1,498	12,636
Current (2013) estimate of cumulative claim costs	908	973	1,088	1,255	1,391	1,287	1,294	1,422	1,520	1,498	12,636
Cumulative payments	(578)	(612)	(688)	(794)	(864)	(715)	(716)	(693)	(569)	(269)	(6,498)
Outstanding claims (undiscounted)	330	361	400	461	527	572	578	729	951	1,229	6,138
Discount											(3,180)
2003 and prior years of injury											1,990
Survivor benefits											96
Latent occupational disease liability											342
Claim administration											708
Subtotal of outstanding claims — unfinalled liabilities											**6,094**
Pension liabilities											5,046
Total outstanding claims per statement of consolidated financial position											**11,140**

Claim costs for most YOI exhibit a downward trend by the YOE. This is primarily due to a general reduction in unit liability costs over the past decade. This results in a higher estimated cost being replaced by a lower actual cost each year as the YOE progresses, which, in turn, produces the downward trend shown. It appears to have reversed in the last three years, mainly due to recent higher levels of health care payments and liabilities.

Liability adequacy test

IFRS 4 (*Insurance Contracts*) requires that an insurer apply a liability adequacy test that meets specified minimum requirements, as follows:

(a) The test considers current estimates of all contractual cash flows, and related cash flows such as claim administration costs, as well as those resulting from embedded options and guarantees; and

Note 10 — continued

(b) If the test shows the liability is inadequate, the entire deficiency is recognized in operating surplus or deficit.

If these minimum tests are met, there are no further requirements.

The Practice Council of the Canadian Institute of Actuaries has concluded that current Canadian valuation standards of practice, when applied to the valuation of workers' compensation liabilities, would meet the liability adequacy testing requirements of IFRS 4. Accordingly, a separate annual liability adequacy test is not required for WorkSafeBC claim benefit liabilities.

Note 11 — Reserves ($ Canadian thousands)

Accounting policy

WorkSafeBC has established different reserves for both specific and general purposes. They were created either due to legislative requirement, as specified below, or as approved by the Board of Directors. Reserves are funded through appropriations from the unappropriated balance. Transfers to and from reserves are accounted for as appropriations from or returns to the unappropriated balance.

Special reserves

The $40,000 Accident Fund special reserves, established pursuant to Section 39 of the *Workers Compensation Act*, include the:

- Contingent Reserve [Section 39(1)(b)], which provides a reserve in aid of industries or classes that may become depleted or extinguished
- Disaster Reserve [Section 39(1)(d)], which provides a reserve to meet the loss arising from a disaster or other circumstances WorkSafeBC considers an unfair burden to the employers in a particular class
- Enhancement Reserve [Section 39(1)(e)], which provides a reserve for payment of that portion of a disability enhanced by reason of a pre-existing disease, condition, or disability

Claims deemed by WorkSafeBC to be covered by these reserves are charged to current operations but prorated to the various employer classes, rather than being charged directly to any specific class.

Latent Occupational Disease Reserve

WorkSafeBC established a $200,000 Latent Occupational Disease Reserve relating to occupational diseases not currently recognized as compensable, but that may be recognized in the future based on new scientific evidence. These claims, unknown at present, will not be reported for a number of years due to the extended latency periods and delay before they are scientifically recognized. This reserve has been provided for in addition to the amounts recognized as a liability (see Note 10).

Earthquake Disaster Reserve

A $20,000 Earthquake Disaster Reserve was established to provide for claims from workers who may be injured in the course of their employment during an earthquake disaster.

Research Reserve

The $30,000 Accident Fund Research Reserve, established pursuant to Section 111 of the *Workers Compensation Act*, funds initiatives in scientific study, as well as disseminating information and applying ways to reduce occupational injury, disease, impairment, or disability arising from employment, in support of WorkSafeBC's strategic plan. The $30,000 reserve will remain intact; investment income earned on the reserve, calculated using WorkSafeBC's smoothed accounting rate of return, is directed to funding research.

Injury Reduction and Return-to-Work Initiatives Reserve

In 2010, WorkSafeBC established a $50,000 reserve from its unappropriated balance to provide funding for piloting and implementing initiatives in workplace injury reduction and disability and injury management. This reserve will remain intact; investment income earned on the reserve, calculated using WorkSafeBC's smoothed accounting rate of return, is directed to funding projects in this area.

General Reserve

In 2006, WorkSafeBC established a $250,000 General Reserve from its unappropriated balance to provide for special circumstances, including legislative changes that might significantly impact the organization's consolidated financial statements and assessment rates levied in a particular year. The target level of the reserve will be evaluated and, if necessary, adjusted

Note 11 — continued

yearly based on emerging circumstances — including pending legislation. This reserve will be drawn down when circumstances in the year would otherwise significantly impact employer assessment rates.

Capital Adequacy Reserve

In 2007, WorkSafeBC established a Capital Adequacy Reserve (CAR) to ensure it maintains an asset level for the Accident Fund that is adequate to mitigate the risks in its assets and liabilities. Funds will be appropriated from the unappropriated balance into the Capital Adequacy Reserve, based on an internal policy, until the reserve is built up to the target CAR level determined using a methodology derived from capital reserve guidelines of the federal Office of the Superintendent of Financial Institutions (OSFI). Although WorkSafeBC is not subject to regulatory oversight by OSFI, it seeks to provide security for worker benefits comparable to that required of private insurers regulated by OSFI.

In 2012, $203,000 was withdrawn from the Capital Adequacy Reserve. No withdrawal was made in 2013.

	December 31, 2013	December 31, 2012 (restated)	January 1, 2012 (restated)
Capital Adequacy Reserve	962,000	962,000	1,165,000
Target Capital Adequacy Reserve level	3,189,000	2,678,000	2,171,000

The December 31, 2012, and January 1, 2012, target Capital Adequacy Reserve level reflects retrospective application of the accounting policy change to recognize the latent occupational disease liability (see Note 2), in addition to a change in the calculation of the target Capital Adequacy Reserve level (see Appendix B). The target Capital Adequacy Reserve level is affected by the value of assets and liabilities to which risk factors (derived from OSFI guidelines) are applied.

Reserves

	December 31, 2013	December 31, 2012
Special reserves		
Contingent Reserve	2,500	2,500
Disaster Reserve	16,500	16,500
Enhancement Reserve	21,000	21,000
	40,000	40,000
Latent Occupational Disease Reserve	200,000	200,000
Earthquake Disaster Reserve	20,000	20,000
Research Reserve	30,000	30,000
Injury Reduction and Return-to-Work Initiatives Reserve	50,000	50,000
General Reserve	250,000	250,000
Capital Adequacy Reserve	962,000	962,000
Total	**1,552,000**	**1,552,000**

Note 12 — Premiums ($ Canadian thousands)

Accounting policy

Premium revenue is composed primarily of statutory employer assessments for workplace injury coverage. Rateable employer premiums are assessed when employers report their insurable earnings for the current premium year. For employers who have not reported, premiums are estimated and any differences between actual and estimated premiums are adjusted when insurable earnings are reported. Self-insured employers' premiums are recognized based on the costs of their employees' claims (see Note 13).

Premium revenue is fully earned and recognized over the coverage period. As a significant portion of premium income for the year relating to rateable employers is not received until after year-end, the amount shown is an estimate based on economic and statistical data (see Note 3). The difference between the estimate and actual income received is credited or charged to income in the following year. Historically, the difference has not been significant.

Reported premium revenue for the current period includes adjustments for premiums from prior periods and penalties on overdue assessments, and is net of Partners program financial incentives.

Partners in Injury and Disability Prevention program

The Partners in Injury and Disability Prevention program is an employer incentive program supporting WorkSafeBC's vision of workers and workplaces that are safe and secure from injury, disease, and death. Through financial incentives, it encourages employers to implement health, safety, and return-to-work management systems. WorkSafeBC recognizes the estimated payments to qualified employers expected to have satisfied the program criteria as at December 31 as a provision. These amounts are recognized as offsets against accrued premiums (see Note 3). The difference between the estimate and actual payments provided to employers is credited or charged to income in the following year. Historically, the difference has not been significant.

Capping of rate changes and amortization of balance

The capping of rate changes represents the effect of WorkSafeBC's policy to limit changes to the rates of any rate group from year to year. Amortization of the balance represents the effect of the planned amortization of the projected unappropriated balance (surplus or deficit, determined on a smoothed basis) of each rate group at the beginning of each year.

Premium income

	2013	2012
Rateable classes	1,326,907	1,280,572
Partners in Injury and Disability Prevention program financial incentives	(44,418)	(36,400)
Capping of rate changes and amortization of balance		
Capping of rate changes	(25,194)	(24,560)
Amortization of balance	(47,504)	(93,524)
	(72,698)	(118,084)
Penalties on overdue assessments	4,681	4,216
Rateable employers	1,214,472	1,130,304
Self-insured employers (Note 13)	28,583	32,663
Total	**1,243,055**	**1,162,967**

Note 13 — Self-insured employers ($ Canadian thousands)

Accounting policy

Certain employers are permitted to be self-insured under the *Workers Compensation Act* of British Columbia (the Act). These employers' premiums are billed and the amounts recognized on a monthly basis equal to the benefit payments made for short-term disability, health care, vocational rehabilitation, and for the values of pension reserves for long-term disability and survivor benefits, based on the present value of monthly pension payments over the expected length of the pension. Self-insured employers are also billed for their proportionate share of WorkSafeBC administration costs and other costs, where applicable; they earn or are charged interest on the monthly average deposit balance under Section 48 of the Act. Additionally, in those years when investment return on the pension reserve exceeds the minimum required return, the surplus is credited to the employer and applied to reduce claim cost reimbursements. Conversely, the deficit is charged to the employer when investment return is less than the minimum required.

Premium income — self-insured employers

	2013	2012
Current premium income	28,583	32,663
	28,583	32,663
Claim costs		
Short-term disability	4,821	4,808
Long-term disability	11,435	4,244
Survivor benefits	2,044	2,946
Health care	8,168	16,443
Vocational rehabilitation	1,779	1,448
Latent occupational diseases	(67)	(2)
Claim administration	4,544	4,477
	32,724	34,364
Share of special reserves costs	4,272	3,596
Operating costs	3,031	2,594
Other costs (income)	(407)	(337)
	39,620	40,217
Less:		
Share of investment income	(11,037)	(7,554)
Total	**28,583**	**32,663**

Included in the benefit liabilities is $147,506 (December 31, 2012: $144,334; January 1, 2012: $141,051) of provision for unfinalled claims for self-insured employers, and $8,659 (December 31, 2012: $8,726; January 1, 2012: $8,728) for the long-latency occupational diseases liability. An equivalent amount is included in receivables, because these liabilities will be paid by those employers in future years; hence, they do not affect WorkSafeBC's unfunded liability.

Note 14 — Other income ($ Canadian thousands)

Accounting policy

Other income includes prevention penalties for workplace safety infractions, Freedom of Information and disclosure fees, and amounts charged for publications and rentals, along with other incidental revenues. Prevention penalties are recognized when penalties are assessed; other revenues are recognized when services are provided.

Other income

	2013	2012
Prevention penalties	1,810	2,817
Third-party litigation fee recoveries	1,111	6,432
Miscellaneous income	1,078	1,616
Total	**3,999**	**10,865**

Note 15 — Prevention and administration costs ($ Canadian thousands)

Accounting policy

Administration costs include prevention costs, claim administration costs, appellate costs, and general and administrative support costs. Prevention and administration expenses are recognized when the goods and services have been received.

Claim administration costs relate to the portion of administration costs incurred to adjudicate claims for compensation, manage claims, and process claim payments. These are allocated to claim costs.

Prevention and administration costs

	2013						
	Prevention costs	Administration costs					Total
		Customer services	Information technology and facilities	Corporate services	WCAT, Review Division, and advisors	Subtotal	
Salaries and employee benefits	51,063	142,339	31,275	86,818	12,020	272,452	323,515
Amortization of capital assets	1,668	12,473	10,045	3,046	672	26,236	27,904
WCAT and advisors	—	—	—	—	27,184	27,184	27,184
Consulting fees	1,406	2,233	10,459	3,758	4	16,454	17,860
Office expenses and communication	1,417	5,447	11,151	1,598	389	18,585	20,002
Building expenses	89	304	10,028	1,835	35	12,202	12,291
Sessional doctor fees	1	7,483	—	1	167	7,651	7,652
Travel and vehicle expenses	3,149	2,278	183	343	20	2,824	5,973
Other administration expenses	3,087	10,832	1,743	12,421	174	25,170	28,257
Cost recoveries	(233)	(22,766)	(7,100)	(16,234)	—	(46,100)	(46,333)
	61,647	160,623	67,784	93,586	40,665	362,658	424,305
Less:							
Claim administration costs	—	129,169	41,000	47,716	26,474	244,359	244,359
Total	**61,647**	**31,454**	**26,784**	**45,870**	**14,191**	**118,299**	**179,946**

Note 15 — continued

Prevention and administration costs

	2012						
	Prevention costs	Administration costs					Total
		Customer services	Information technology and facilities	Corporate services	WCAT, Review Division, and advisors	Subtotal	
Salaries and employee benefits	48,063	143,228	31,978	76,371	12,582	264,159	312,222
Amortization of capital assets	1,782	12,581	9,630	2,499	556	25,266	27,048
WCAT and advisors	—	—	—	—	26,498	26,498	26,498
Consulting fees	1,370	5,798	10,719	4,403	6	20,926	22,296
Office expenses and communication	1,677	5,378	12,148	1,294	382	19,202	20,879
Building expenses	84	413	9,090	2,076	45	11,624	11,708
Sessional doctor fees	4	8,554	—	4	150	8,708	8,712
Travel and vehicle expenses	3,283	2,946	284	435	27	3,692	6,975
Other administration expenses	3,725	12,124	1,800	11,689	197	25,810	29,535
Cost recoveries	(322)	(22,400)	(7,020)	(13,883)	—	(43,303)	(43,625)
	59,666	168,622	68,629	84,888	40,443	362,582	422,248
Less:							
Claim administration costs	—	136,514	32,719	47,183	27,283	243,699	243,699
Total	**59,666**	**32,108**	**35,910**	**37,705**	**13,160**	**118,883**	**178,549**

Note 16 — Injury research and reduction initiatives ($ Canadian thousands)

Accounting policy

WorkSafeBC provides funding to support high-quality, independent, scientific study relating to workplace health and safety, as well as research in the area of workers' compensation. Funding is also provided to entities furthering the education and development of safe workplace practices. These expenses are recognized when the services or deliverable milestones have been performed.

Partners in Injury and Disability Prevention program administration

The Partners in Injury and Disability Prevention program supports WorkSafeBC's vision of workers and workplaces safe and secure from injury, disease and death. Funding is provided to health and safety associations and other industry organizations to administer this financial incentive program.

Injury research and reduction initiatives

	2013	2012
Injury-reduction initiatives	6,396	5,487
Partners in Injury and Disability Prevention program administration	5,506	5,498
Research grants	744	2,168
Total	**12,646**	**13,153**

Note 17 — Commitments ($ Canadian thousands)

WorkSafeBC has several operating leases for office space. Renewal options are a feature in some of the lease agreements. As WorkSafeBC may or may not exercise its rights under these options, renewal amounts are excluded from commitments. WorkSafeBC also committed, during 2013, to lease space in a data centre. Future commitments for payments expected to be charged against operating costs for operating leases over the next five years are as follows:

	December 31, 2013		
	Office space	Data centre	Total
2014	3,385	578	3,963
2015	2,314	578	2,892
2016	2,295	578	2,873
2017	2,339	578	2,917
2018 and beyond	2,365	3,562	5,927
Total	**12,698**	**5,874**	**18,572**

	December 31, 2012
	Office space
2013	3,542
2014	1,595
2015	71
2016	5
2017 and beyond	—
Total	**5,213**

Additionally, WorkSafeBC has committed to participate in future funding for purchases of certain private placement, foreign real estate, infrastructure, and renewable resources investments. Unfunded commitments as at December 31, 2013, were $541,961 (2012: $454,660). A further commitment of up to $200,000 was made in December 2013 to British Columbia Investment Management Corporation (bcIMC), WorkSafeBC's investment manager, for potential investment opportunities beginning in 2014.

Note 17 — continued

If necessary, units of pooled fund investments will be liquidated to satisfy these funding requirements. Timing of the funding and related investment is uncertain, as it is dependent upon appropriate investing opportunities identified by the investment fund manager.

Note 18 — Contingencies

Legal proceedings

At any given time, WorkSafeBC is party to various claims and legal proceedings related to its operations. Management believes WorkSafeBC has strong defences against these claims and that no financial provisions for them are appropriate or required.

Indemnification agreements

In the normal course of operations, WorkSafeBC enters into contractual agreements containing standard contract terms which provide that WorkSafeBC shall indemnify certain parties. The potential liability of WorkSafeBC under the terms will vary depending on the wording of the terms and/or the occurrence of contingent or future events, the nature of which prevents WorkSafeBC from making a reasonable estimate of the potential amount that may be payable to those contractual parties. WorkSafeBC also indemnifies its employees and members of its Investment Committee against all claims or proceedings brought against them for any actions performed which the individual believed were within the jurisdiction of WorkSafeBC and in the course of their employment, or performed with reasonable care within the terms of reference of the committee. WorkSafeBC has not made any payments or accrued any amounts in the consolidated financial statements relating to these indemnifications.

Note 19 — Capital management ($ Canadian thousands)

WorkSafeBC's total capital available or funded position is represented by the sum of the unappropriated surplus, accumulated other comprehensive income, and reserves. Its objectives when managing capital are as follows:

- To build up capital to a level that provides a comparable degree of security of worker benefits to that required for private insurers regulated under the federal Office of the Superintendent of Financial Institutions (OSFI). WorkSafeBC has adopted a capital adequacy policy modelled after OSFI guidelines. This policy specifies the criteria under which the Capital Adequacy Reserve (CAR) will be built up or drawn down.
- To mitigate the risks in the investment portfolio and reduce the volatility of employer premium rates arising from investment in equities. Equity investments are expected to produce higher long-term returns and, thus, lower long-term employer assessment costs, but are subject to market volatility. Strong capital reserves can be drawn upon to limit employer premium-rate volatility arising from such investments.
- To cover reasonable levels of both foreseen and unforeseen plausible events that, even though they occur relatively infrequently, could have a significant financial impact on WorkSafeBC.

These objectives align with WorkSafeBC's strategic objective of ensuring the long-term financial sustainability of the workers' compensation system.

As noted, WorkSafeBC maintains a Capital Adequacy Reserve (CAR) and has set a target level (see Note 11) to achieve the capital management objectives noted above. The following table shows the total assets as a ratio of the target asset requirement level, which is based on the total liabilities plus the target CAR level, and other reserves. The optimum goal is to achieve 100 percent of the target asset requirement (see key performance indicator #8, page 49, for further information on this performance measure).

The WorkSafeBC Board of Directors approved a revision in the calculation of the target Capital Adequacy Reserve level effective December 31, 2013, (see Appendix B, page 140, for further details). The target asset requirement levels for December 31, 2012, and January 1, 2012, were restated, for comparative purposes, to reflect this revision. In addition, the restated amounts reflect the retrospective adjustment recorded in the consolidated financial statements for recognition of the liability for long-latency occupational diseases (see Note 2).

	December 31, 2013	December 31, 2012 (restated)	January 1, 2012 (restated)
Total assets	14,471,932	13,160,431	12,556,737
Target asset requirement level	15,393,756	14,399,957	13,071,096
Percent of target assets achieved	94%	91%	96%

Note 20 — Related party transactions ($ Canadian)

Government-related entities

WorkSafeBC is accountable to the public through its Board of Directors who are appointed by the British Columbia Minister of Jobs, Tourism and Skills Training and Responsible for Labour. WorkSafeBC is separate and distinct from the Government of B.C., and is not part of the B.C. government reporting entity.

Key management personnel

(Information presented in this section has not been rounded to the nearest $ thousands.)

Compensation

The following table shows the salaries and short-term benefits for WorkSafeBC's key management personnel:

	2013						
	Salary	**Short-term benefits**	**Hold-back**	**Other earnings**	**Pension**	**Long-service benefits**	**Total**
President and CEO	349,959	17,050	35,000	11,126	42,316	—	455,451
Senior Vice-President, HR and Corporate Services	264,797	15,239	23,584	12,126	31,678	—	347,424
Senior Vice-President, Finance and IT, and CFO	264,797	15,239	23,584	12,026	31,667	—	347,313
Senior Vice-President, Operations	264,797	10,074	23,584	12,126	31,678	—	342,259
Total	**1,144,350**	**57,602**	**105,752**	**47,404**	**137,339**	—	**1,492,447**

	2012						
	Salary	**Short-term benefits**	**Bonus**	**Other earnings**	**Pension**	**Long-service benefits**	**Total**
President and CEO	270,000	15,562	121,500	12,026	43,288	—	462,376
Senior Vice-President, HR and Corporate Services	220,000	12,115	78,100	12,126	32,904	—	355,245
Senior Vice-President, Finance and IT, and CFO	226,490	15,613	78,100	11,810	33,591	37,231	402,835
Senior Vice-President, Operations	220,000	11,969	78,100	12,026	32,893	—	354,988
Total	**936,490**	**55,259**	**355,800**	**47,988**	**142,676**	**37,231**	**1,575,444**

In accordance with the guidelines introduced by the B.C. Minister of Finance during 2012, WorkSafeBC modified its compensation structure during 2013, which eliminated the bonus component and reallocated to the salary and holdback components of total compensation. The new structure was approved by the Minister of Finance.

In 2012, the position of Senior Vice-President and Chief Financial Officer (CFO) was held by two different individuals over different periods; for presentation purposes, compensation paid to these two individuals has been combined in the table above.

Short-term benefits include medical benefits, dental benefits, group life insurance, accident insurance, and the employer's share of contributions or payments to the Canada Pension Plan (CPP) and Employment Insurance (EI).

Note 20 — continued

Holdbacks are the portion of current reporting-period salary payable to incumbents in future periods, in accordance with the modified compensation structure adopted during 2013. The 2012 bonuses were awarded based on the achievement of corporate goals and performance targets (see page 25), excluding performance targets related to improved adjudicative decision making.

Other earnings include payout of unused vacation, car allowances, and supplementary executive allowances for reimbursement of medical, dental, and insurance expenses not covered by the employee benefit plans.

Pension costs represent the employer's share of contributions or payments to the WorkSafeBC employee pension plan for the reported earnings.

Long-service benefits were paid to the former Senior Vice-President and CFO upon cessation of employment.

The following tables show total compensation for the WorkSafeBC Board of Directors:

2013	Number of individuals	Fees	Statutory benefits	Total
Chair, Board of Directors	1	$ 28,250	$ 673	$ 28,923
Board members	6	$160,750	$7,750	$168,500
Total	**7**	**$189,000**	**$8,423**	**$197,423**

2012	Number of individuals	Fees	Statutory benefits	Total
Chair, Board of Directors	1	$ 31,500	$ 722	$ 32,222
Board members	6	$110,000	$4,112	$114,112
Total	**7**	**$141,500**	**$4,834**	**$146,334**

Annual retainers of $15,000 and $7,500 were provided to the Chair of the Board and other Board members respectively. In addition, Board members received $500 per meeting attended, or $250 per meeting attended with duration of less than or equal to four hours. Board members who serve as subcommittee chairs receive an additional annual retainer of $5,000 for Audit Committee and $3,000 for other committees. Statutory benefits consist of WorkSafeBC's share of CPP contributions and EI premiums when compensation is paid to the individual.

Pension plan

WorkSafeBC has a pension plan which is a related party by virtue of IAS 24 (*Related Party Disclosures*). See Note 9 for detailed information on pension plan transactions.

Eckler

Actuary's opinion

The liabilities included herein have been computed by WorkSafeBC in accordance with methods and assumptions approved by us. We reviewed the calculations and performed tests to confirm their accuracy and the reasonableness of results. We have also examined the data upon which the calculations were based and found it to be sufficient and reliable for the purpose of the valuation, and consistent with WorkSafeBC's financial statements.

The liabilities under pension awards, capitalized values are for pensions in payment, and include the effect of cost-of-living increases granted effective January 1, 2014. They have been computed using the same assumptions used for the valuation as at December 31, 2012. A net interest rate of 4.0 percent was used to discount pensions. This rate makes implicit provision for the future indexing of pensions on the assumption that investment earnings on WorkSafeBC's assets will exceed increases in the Consumer Price Index (CPI) by 3.0 percent per year, over the long term, and that indexing will be provided at CPI minus 1.0 percent.

The provision for unfinalled claims represents the liabilities for future claims costs in respect of injuries which occurred during 2013 and prior years, including future pensions other than those already in payment, and future claim administration expenses. It is based on projections of future claim payments and awards using ratios developed from WorkSafeBC's claims experience, average benefit rates, net discount rates reflecting the real rate of return above and, where applicable, the mortality and other assumptions used for computing pension liabilities. The health care liability is calculated assuming that health care costs will increase at the same rate as investment returns, resulting in a net discount rate for this liability of 0 percent.

The methods used in calculating the above mentioned liabilities were substantially the same as those employed in the previous valuation as at December 31, 2012.

The latent occupational disease liability is for future benefit payments on occupational disease claims that will be diagnosed in the future, but for which some exposure to disease-causing agents has already occurred. The estimated future benefits are discounted to the valuation date and are adjusted to reflect the estimated portion of the total latency period exposure which has already transpired. This liability has not previously been recognized by WorkSafeBC, but is now included in accordance with revised actuarial standards of practice.

In our opinion, the data is sufficient and reliable and the assumptions made and the methods used are all appropriate for the purposes of the valuation. In our opinion, the resulting amounts set out below make reasonable provision, as at December 31, 2013, for the future benefit and claim administration expenditures of WorkSafeBC, in respect of injuries to December 31, 2013. Our review has been carried out, and our opinions given, in accordance with accepted actuarial practice in Canada.

($ thousands)	**Pension awards, capitalized values**	**Provision for unfinalled claims**	**Latent occupational disease**	**Total**
Benefit liabilities:				
Short-term disability	—	328,190	—	328,190
Long-term disability	4,226,888	1,841,315	—	6,068,203
Survivor benefits	818,746	95,791	—	914,537
Health care	—	2,489,779	—	2,489,779
Vocational rehabilitation	—	288,571	—	288,571
Claim administration	—	708,319	—	708,319
Latent occupational disease	—	—	342,282	342,282
	5,045,634	**5,751,965**	**342,282**	**11,139,881**

Richard A. Border, FIA, FCIA

Wendy F. Harrison, FSA, FCIA

Actuaries with the firm of Eckler Ltd.

March 28, 2014

Appendices

Appendix A: Comparing Results with Other Jurisdictions

Each workers' compensation organization in Canada is subject to a distinct set of legal requirements, policies, and operating issues, so it is difficult to make direct comparisons between WorkSafeBC's performance and that of other jurisdictions.

To enable performance comparisons, the Association of Workers' Compensation Boards of Canada (AWCBC) compiles a set of standardized financial and statistical indicators. These indicators are compiled (unaudited) using data collected from all Canadian jurisdictions, including WorkSafeBC. Most of these indicators are not directly comparable with the 11 key objective/performance indicators used by WorkSafeBC; however, in some cases our performance can be approximately compared to that of other workers' compensation organizations. With the exception of key objective/performance indicator #9 (which uses 2013 numbers) all comparisons are made using 2012 data — the most current information available at the time of publication.

Key objective #1: Reduce the provincial injury rate

2013 target: 2.60 or less claims first accepted per 100 person-years of employment

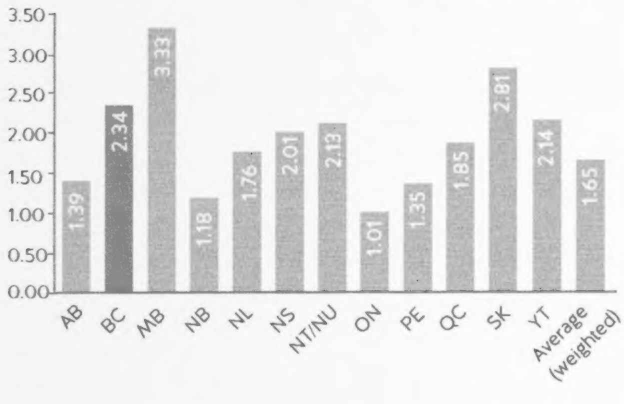
2013 result: 2.30 claims first accepted per 100 person-years of employment (see page 28)

2014–2016 targets: 2.50 or less, 2.50 or less, 2.50 or less

Related comparison: The AWCBC publishes an annual, province-by-province comparison of injury frequency using a standardized calculation. However, injury frequency cannot be directly compared between provinces because injury rates are influenced by the industries present in each jurisdiction.

The following chart reflects the relative injury frequency for all provinces, as published in January 2014 (based on 2012 source data).

Injury frequency (per 100 workers of assessable employers)



Source: AWCBC Key Statistical Measures 2012
https://aoc.awcbc.org/KsmReporting/ReportReview/0?tempdatakey=ac996cbd-820c-4ef4-ac3c-caadf1d3c960

Key objective #2: Improve return-to-work outcomes

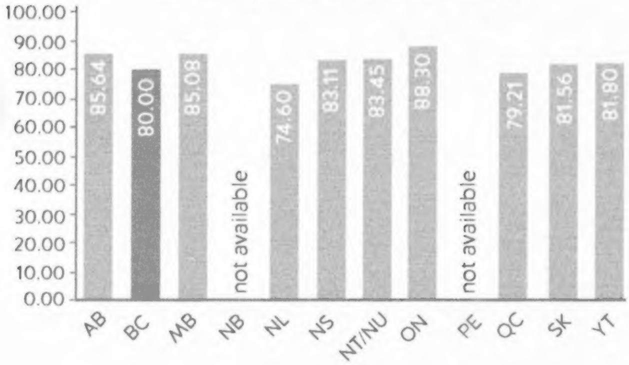
2013 target: 80 percent of workers returning to work by 26 weeks

2013 result: 81 percent (see page 33)

2014–2016 targets: 81 percent, 81 percent, 81 percent

Related comparison: The AWCBC publishes an annual, provincial/territorial comparison of claim duration using a standardized calculation to measure how soon injured workers leave the wage-loss compensation system permanently. While not fully equivalent with the WorkSafeBC KPI #2 measurement of return-to-work outcomes, the AWCBC measurement of the percentage of new lost-time claims that have received their last day of wage-loss benefits 120 days after the injury provides a comparable measure. The following table provides the most current data available.

Percentage of wage-loss claims off compensation at 120 days



Source: AWCBC Key Statistical Measures 2012

https://aoc.awcbc.org/KsmReporting/ReportReview/0?tempdatakey=ac996ebd-820e-4ef4-ac3c-caadf1d3c960

Key objective #3: Improve return-to-work outcomes for workers in vocational rehabilitation

Related comparison: No comparable data is available.

Key objective #4: Improve timeliness of initial short-term disability payments

2013 target: 21 days

2013 result: 18.3 days (see page 38)

2014–2016 targets: 18 days, 17 days, 17 days

Related comparison: The AWCBC publishes an annual province-by-province comparison of the timeliness of initial short-term disability payments using a standardized calculation that is slightly different from WorkSafeBC's method of calculation. The chart that follows reflects the average number of calendar days starting from the date of injury to the date of first payment, as published in January 2014 (based on 2012 source data).

Average calendar days from injury to first payment issued

Source: AWCBC Key Statistical Measures 2012

https://aoc.awcbc.org/KsmReporting/ReportReview/0?tempdatakey=ac996ebd-820e-4ef4-ac3c-caadf1d3c960

Key objective #5: Improve injured workers' rating of overall experience

Related comparison: No comparable data is available.

Key objective #6: Improve employers' rating of overall experience

Related comparison: No comparable data is available.

Key objective #7: Raise public confidence

2013 target: 86 percent or more

2013 result: 90 percent (see page 48)

2014–2016 targets: 90 percent, 90 percent, 90 percent

Related comparison: To track public confidence, WorkSafeBC hires a third party to survey B.C. residents at least four times a year. Respondents are asked if WorkSafeBC makes a positive or negative contribution to the province. The major indicator of WorkSafeBC's success is the degree to which British Columbians think the organization makes a positive contribution to the province. As with all surveys, sample size, respondent variation, and issues prevalent in the news media can influence results.

No other workers' compensation system in Canada reports on its ability to raise public confidence, nor uses a similar indicator to determine its reputation with the communities it serves. Several provincial public and private organizations have conducted surveys similar to those carried out on behalf of WorkSafeBC; however, these results are no longer available to the public. Nonetheless, similar survey results are in a range from a high of 95 percent to a low of 55 percent among participating groups.

Key objective #8: Achieve 100 percent of the target asset level

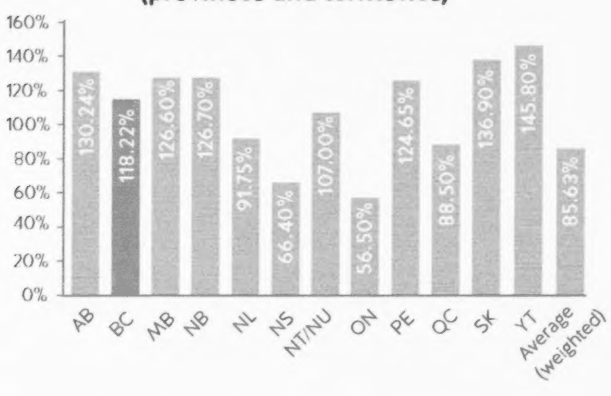
2013 target: 86 percent

2013 result: 94 percent (see page 49)

2014–2016 targets: 92 percent, 92 percent, 92 percent

Related comparison: For the purposes of comparison with other provinces and territories in Canada, the only other metric of funding adequacy that is available, and used by the AWCBC, is total assets divided by total liabilities. The following chart shows the average funding level of each provincial and territorial workers' compensation system, published in January 2014, stated in terms of its market value and based on year-end 2012 data.

Total assets over total liabilities (provinces and territories)

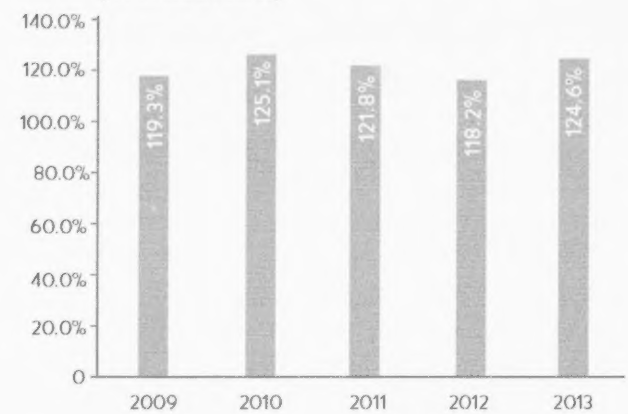


Source: AWCBC Key Statistical Measures 2012

https://aoc.awcbc.org/KsmReporting/ReportReview/0?tempdatakey=8c5680e4-69d4-4f48-8097-1fb4b9d72bc0

WorkSafeBC's funding level, with 2009 and 2010 restated to reflect accounting policies based on International Financial Reporting Standards (IFRS), is also shown for comparative purposes. In comparing the two measures of funding sufficiency — achieve 100 percent of the target asset level versus assets over liabilities — 94 percent achievement against the target asset level equates to 125 percent asset coverage over liabilities, because WorkSafeBC aims to have more assets than liabilities, in the form of various reserves. (See Note 11 of the consolidated financial statements, page 124.)

Total assets over total liabilities (WorkSafeBC)



Key objective #9: Attain an aggregate premium rate between $1.25 and $2.25 per $100 of assessable payroll

2013 target: $1.55

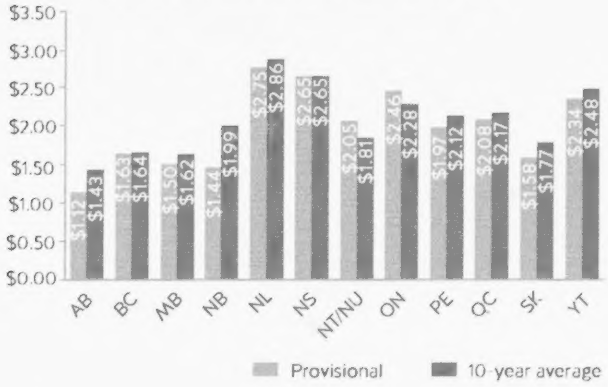
2013 result: $1.54 (see page 52)

2013–2015 targets: $1.63, $1.63, $1.74

Related comparison: Each jurisdiction in Canada establishes its own assessment rates. The average assessment rate reflects the weighted average premium for assessable employers within the scope of coverage for each province and territory. The rates charged by other provinces/territories reflect the unique mix of industries, injury rates, benefits, prevention activities, and funding needs, and are not directly comparable to B.C. AWCBC data are calculated in a standard way and provide a general indicator of the range of employer costs for workers' compensation coverage.

The following chart shows the average assessment rates for 2013, which are different from the aggregate rate used in key objective/performance indicator #9. The average assessment rate is a base rate and the aggregate rate reflects adjustments for changes in industry mix and experience rating during the year.

Provisional and 10-year average assessment rates per $100 of assessable payroll*



* The Canadian average (non-weighted) 2013 provisional rate is $1.96, and 10-year average rate is $2.07.

Source: AWCBC statistics

www.awcbc.org/common/assets/assessment/avg_rates_history.pdf

This chart illustrates that, in comparison with those in other provinces and territories, B.C. rates are competitive and have been stable.

Key objective #10: Control administration costs (per $100 of assessable payroll)

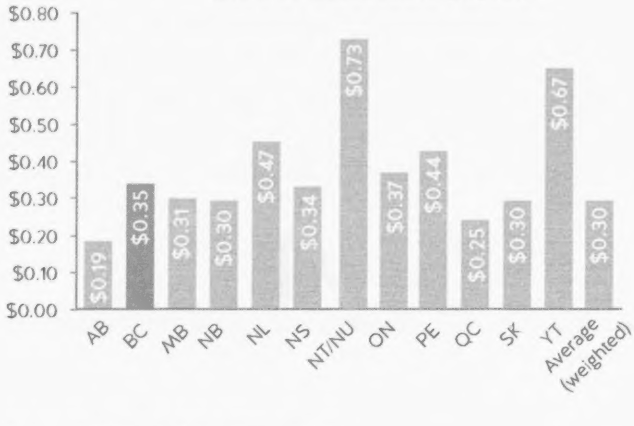
2013 target: $0.35

2013 result: $0.33 (see page 54)

2014–2016 targets: $0.33, $0.32, $0.32

Related comparison: The AWCBC calculates administration costs per $100 of assessable employer payroll according to a standardized formula. The following chart shows the administration costs per $100 of assessable employer payroll for each provincial and territorial jurisdiction as published in January 2014 (based on year-end 2012 data).

Administration costs per $100 of assessable payroll



Source: AWCBC Key Statistical Measures 2012

https://aoc.awcbc.org/KsmReporting/ReportReview/0?tempdatakey=777dc6fc-1ecb-4dea-a006-425cc0107020

Key objective #11: Improve decision making throughout WorkSafeBC, ensuring consistency with legislation and policy

Related comparison: No comparable data is available.

Appendix B: Comparing Current Key Objective/Performance Indicator #8 with Prior-Year Measure

The definition of this key objective/performance indicator (KPI) is:

Actual Assets ÷ Target Assets

Where target assets are the sum of three items:

- Liabilities
- Other Reserves (those other than the CAR)
- The target Capital Adequacy Reserve (CAR)

In 2013, the WorkSafeBC Board of Directors passed a resolution specifying that the definition of the third item was to be changed effective December 31, 2013. Specifically, the previous target CAR was defined as 160 percent of the minimum capital requirement generally calculated on the basis prescribed by the federal Office of the Superintendent of Financial Institutions (OSFI). The new target CAR specified by the Board is 150 percent of the minimum capital requirement,less the Other Reserves. This change had the effect of lowering the target assets, thus increasing the KPI #8 metric.

A second change made in 2013 affecting this KPI was the decision by WorkSafeBC to recognize a latent occupational disease liability (LODL) at December 31, 2013. The LODL is a new liability prescribed by the standards of the Canadian Institute of Actuaries. It is intended to recognize worker exposure to harmful substances which were expected to ultimately result, at some point in the future, in an occupational disease. The LODL is related to exposures which occurred prior to the accounting date but for which a disease has yet to be diagnosed.

It should also be noted here that recognition of this liability is expected to increase the target CAR because it is calculated with reference to actual assets and liabilities. As such, any increase in liabilities due to this LODL will result in an increase to the target CAR. In turn, this would result in a lower KPI #8 metric.

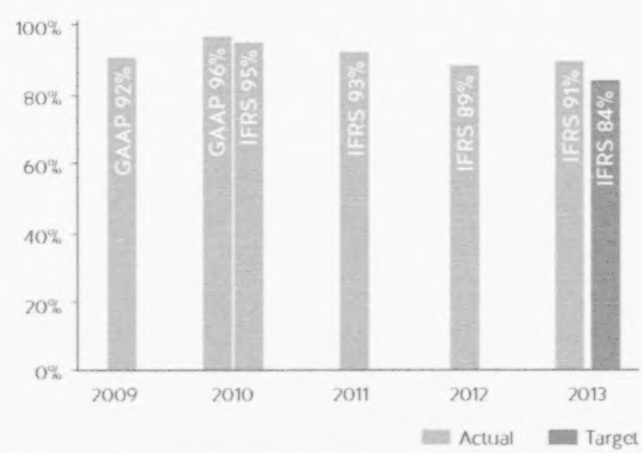
The financial impact on the 2013 target and actual KPIs is shown in the following table:

	2013 Previously published target (2012 Annual Report) ($ millions)	2013 Restated target (2012 Annual Report modified) ($ millions)			2013 Actual ($ millions)
Target CAR basis *	Original	Original	Revised	Revised	Revised
LODL recognized	No	Yes	No	Yes	Yes
Actual assets	**$13,104**	**$13,112**	**$13,104**	**$13,112**	**$14,472**
Non-LODL liability	$11,405	$11,405	$11,405	$11,405	$11,273
LODL liability	—	$342	—	$342	$342
Target Capital Adequacy Reserve	$3,659	$3,713	$2,840	$2,891	$3,189
Other reserves	$590	$590	$590	$590	$590
Target assets	**$15,654**	**$16,050**	**$14,835**	**$15,228**	**$15,394**
KPI #8 (actual assets / target assets)	84%	82%	88%	86%	94%

* The original basis, in effect for 2012 and earlier, was based on a 160 percent OSFI target. The revised basis, in effect in 2013, is based on a 150 percent OSFI target for all reserves (including CAR) combined.

On the updated basis, the 2013 KPI #8 target of 86 percent has been exceeded with an actual result of 94 percent (see table above for 2013 current-year measure, and KPI #8 for comparative results for 2009–2013, page 49).

On the original basis (as published in the 2012 annual report), the 2013 KPI #8 target of 84 percent has been exceeded with an actual result of 91 percent. The following chart shows the comparative results on the original basis.



The figures in the table above are based on International Financial Reporting Standards (IFRS), adopted by WorkSafeBC beginning in 2011 (with retrospective adjustment to January 1, 2010). Comparative figures for 2009-2010 are based on Canadian generally accepted accounting principles (GAAP) in place through 2010.

Senior Executive

David Anderson

President and Chief Executive Officer

Diana Miles

Senior Vice-President, Operations

Brian Erickson

Senior Vice-President, Finance/IT and
Chief Financial Officer

Roberta Ellis

Senior Vice-President, Human Resources and
Corporate Services

Trevor Alexander

Vice-President, Claims Services

Al Johnson

Vice-President, Prevention Services

Ian Munroe

Vice-President, Employer,

Industry, and Worker Services

Kevin La Freniere

Vice-President, Business Analysis,

Corporate Communications, and Marketing

Ed Bates

General Counsel and Secretary to WorkSafeBC

Online viewing

For an electronic copy of this report, visit our website at worksafebc.com.

Feedback

To comment on WorkSafeBC's *2013 Annual Report and 2014–2016 Service Plan*, contact Terence Little, Director of Corporate Communications at 604.276.7666, or email terence.little@worksafebc.com.

Endnotes

1. The Accident Fund provides for the payment of compensation, outlays, and expenses referred to in Section 36 of the *Workers Compensation Act*. It is made up of the portfolio of investments and other WorkSafeBC assets.
2. In accordance with the *Workers Compensation Act*, the annual report and service plan must be provided each year to the minister by March 25 and March 31, respectively. A request for legislative change has been submitted to the Ministry of Jobs, Tourism and Skills Training and Responsible for Labour to amend the delivery dates for both these reports to April 30. This extension is necessary to comply with the International Financial Reporting Standards requirement that financial instruments be reported at fair market value; for some instruments, fair market value cannot be obtained until the end of March in a given year.
3. For priorities, goals, and operational objectives, as defined by the strategic plan, see page 24.
4. See endnote 1.
5. While the information included in this annual report reflects the organization's actual performance for the period from January 1, 2013 through December 31, 2013, all material fiscal assumptions and policy decisions made to April 17, 2014 have been considered in developing this publication.
6. With the exception of KPI #2 (introduced in 2011) and KPI #8 (introduced in 2008), the 11 key objective/performance indicators selected for this year's annual report and service plan have been used since 2003 (some definitions and calculations have changed over time).
7. For comparative purposes, results for 2010 are shown on both an IFRS basis and according to Canadian generally accepted accounting principles (GAAP) in place through 2010.
8. Employers are assigned to classification units based on their main industrial activity. Industrial activities are organized into sectors, subsectors, and classification units. The classification structure consists of seven sectors, 24 subsectors, and approximately 600 classification units.
9. The provincial injury rate is calculated according to the Association of Workers' Compensation Boards of Canada's definition of the term (see Appendix A, page 136). Wage-loss injuries, fatality claims (cases involving funeral expenses and/or survivor benefits), and long-term disability claims occurring in 2013 that were first paid that year (or anticipated to be initially paid within the first quarter of 2014) are counted and expressed as a ratio to 100 person-years of employment. Injuries arising from and employment related to deposit-class employers are excluded from this calculation. A person-year is the equivalent of one person working all year on either a part- or full-time basis. Estimates for person-years are based on gross payrolls submitted by employers, as well as matching wage-rate data.
10. See endnote 9.
11. A reduction in the injury rate of just 1.0 percent (from 2.32 to 2.30, for example) translates into approximately 500 fewer workers suffering wage-loss injuries. This translates into around $10.2 million less in claim costs and a gain of 28,400 in productive work days for B.C.'s economy.
12. If employment in a sector with a relatively high injury rate (such as construction) grows while employment in a lower-risk sector (such as retail) declines, the provincial injury rate could still increase even if the injury rate remains the same or drops in both sectors.
13. These 2013 injury rate estimates are preliminary as of December 2013 and based on available claim and employment information and subject to estimation error and change. They consider employment estimates from Statistics Canada's *Labour Force Survey* and the *Survey of Employment, Payroll and Hours*. Injury rates for 2013 will be available in July 2014.
14. This measure helps WorkSafeBC identify and focus prevention activities on those industries and risks most likely to severely harm workers. Over time, applying a serious injury rate may help the organization identify new risks and assess the effectiveness of its safety programs or initiatives. For more information on the serious injury rate, consult *WorkSafeBC Statistics 2013*, available online at worksafebc.com.
15. WorkSafeBC reviews historical incidents and claim statistics from all industry sectors in B.C., identifying industries with significant exposures and greater risk of injuries and fatalities.
16. Health care-only claims are excluded from the serious injury rate calculation.
17. High health care costs equivalent to 28 or more days of wage loss (*WorkSafeBC Statistics 2013*).
18. One of 431 selected ICD-9 codes.
19. One of 366 selected ICD-9 codes.
20. Fifty or more lost workdays.
21. WorkSafeBC reviews historical incidents and claim statistics from all industry sectors in B.C., identifying industries with significant exposures and greater risk of injuries and fatalities.
22. The agriculture, fishing, forestry, and oil and gas industries are categorized as the Primary Resources Sector. The health care industry is included in the Public Sector. A complete list of sectors can be found in *WorkSafeBC Statistics 2013*, available online at worksafebc.com.
23. Multiple inspections occurred at the same location.
24. In 2012, WorkSafeBC was tasked by government with addressing challenges related to fire inspections in B.C. The Fire Inspection and Prevention Initiative (FIPI) was created to improve workplace safety through the development and delivery of fire safety training materials for workers and workplace management teams. Another goal of this initiative has been to foster compliance through collaboration between inspectorates, including the Office of the Fire Commissioner and local municipal governments, the BC Safety Authority, WorkSafeBC, and industry stakeholders.

25. Prior to 2013, KPI #2, return to work by 26 weeks, measured the percentage of workers who return to work within 26 weeks of the date they were first off work due to injury, out of the count of time-loss claims concluded in the same period. The refined methodology includes the most recent outcome of any claim and any over 26 weeks within the calendar year, regardless of whether the claim is open or closed. In order to more accurately reflect current results, 2013 outcomes exclude claims that were open longer than 26 weeks prior to 2013. Had the metric not been refined, the reported result would have been 79.71. Prior-year results have not been restated.
26. The 26-week milestone was chosen for several reasons. It is recognized by workers' compensation boards across Canada as a key marker; the Association of Workers' Compensation Boards of Canada uses 180 days (26 weeks) return to work as a key statistical measure; and in Medical Recovery Guidelines (such as MDGuidelines) the vast majority of injuries show recovery before six months. This milestone also enables us to monitor the outcomes of early intervention initiatives designed primarily to aid workers in returning to the same pre-incident workplace and employer, as we have determined the 26-week window offers the greatest potential for claims management teams to ensure durable return to work.
27. Timeliness of initial short-term disability payments: the 18.3-day timeliness statistic represents 75 percent of injured workers receiving payments directly from WorkSafeBC (timeliness of 24.4 days) and 25 percent of injured workers who continue to be paid by their employers (experienced timeliness of zero days).
28. WorkSafeBC surveyed 400 employers in April, 800 in June, and another 400 each in September and November 2013. The related scores were 76, 79, 80, and 82 percent, respectively. The lowest score, in April, coincided with two significant events for employers: the transition back to the Goods and Services Tax (GST) from the Harmonized Sales Tax (HST) on April 1, 2013, and the start of the provincial election campaign on April 14, 2013.
29. WorkSafeBC determines the target level of the Capital Adequacy Reserve (CAR) using an approach comparable to that prescribed for private insurers by the federal Office of the Superintendent of Financial Institutions (OSFI). This approach determines the minimum capital requirement by considering the insurer's risk profile. OSFI requires that private insurers maintain levels of at least 150 percent of the minimum capital requirement. By resolution in 2013, using OSFI methodology, WorkSafeBC's Board of Directors has set the target capital requirement (equal to the target level of the CAR reserve plus the other non-CAR reserves) at 150 percent of the minimum capital requirement level.
30. Environmental factors which could result in increased costs include potential legislative changes, judicial reviews, class action lawsuits, and earthquakes, among others.
31. The measure of funding adequacy used by the Association of Workers' Compensation Boards of Canada (AWCBC) is total assets over total liabilities (see Appendix A, page 138). For example, in 2013, actual assets were $14,472 million, which represents 125 percent of the liabilities of $11,615 million, but 94 percent of the current target asset level of $15,394 million.
32. Under the *Workers Compensation Act*, short-term disability, long-term disability, and survivor benefits are indexed against the annual increase in the consumer price index (CPI), as measured by the year-over-year CPI at October each year. These benefits are indexed to inflation at CPI growth less 1.0 percent, with a maximum of 4.0 percent and a minimum of zero. The inflation adjustments applied to benefit rates were 0.2 percent at January 1, 2013, (1.2 percent CPI growth less 1.0 percent) and 0.0 percent at January 1, 2014, (0.7 percent CPI growth).
33. In accordance with a 2013 Board of Directors resolution defining the use of the Capital Adequacy Reserve.
34. The aggregate premium rate reflects the overall financial impact of workers' compensation premiums on the assessable payroll of insured employers in British Columbia. The actual premium charged to an individual firm varies based on its insurance rate group and experience rating. The aggregate premium rate shown differs from the average base rate published each year when premium rates are established for the upcoming assessment year. The published base rate is a composite of all individual industry base rates. It is published in the WorkSafeBC rate and classification list and averaged on the basis of long-term industry payroll growth rates. The aggregate premium rate differs from this published base rate as it reflects the actual, rather than projected, payroll mix by industry. The aggregate premium rate also differs from the base rate owing to imbalances arising from the experience rating plan. The aggregate premium rate can be viewed as a collection rate: it reflects actual premiums owed by employers for a particular assessment year, expressed as a percentage of the total assessable payroll.
35. Since WorkSafeBC's premiums are collected in arrears, the actual funds collected and corresponding payrolls for a given year cannot be determined until well into the following year. Thus, the aggregate rate shown for 2012 and previous years reflects the final collected rate. The rate shown for 2013 and future years is an estimate based on the anticipated mix of industries, assessable payrolls, known adjustments, and the anticipated impacts of various strategies and initiatives.
36. There are three main components to the premium rate: the cost of new injuries, the charge for deficit recovery/credit for surplus return, and the limitation of year-over-year rate changes (capping). The rate impact of deficit recoveries is dampened by application of the Capital Adequacy Reserve policy. It limits the annual increase for deficit recoveries to no more than $0.05 per $100 of assessable payroll.
37. In 2013, WorkSafeBC maintained separate financial accounting for 66 different rate groups. Each rate group is responsible for its own financial performance, represented by the "rate group balance." The balance represents the net financial condition of a rate group (i.e., historical assessments, plus investment income, less claim costs, administration costs, and contributions to reserves). If this balance is positive, the rate group is in surplus; if it is negative, the rate group is in deficit.
38. See endnote 35.
39. WorkSafeBC's administration costs for KPI #10 are defined by the Association of Workers' Compensation Boards of Canada (AWCBC). In accordance with AWCBC's calculation method, WorkSafeBC does not include administration costs associated with prevention, treasury

(investment costs), third-party recoveries and related legal costs, grants, external appeals, workers' and employers' advisors, sessional physicians, external medical service providers, and costs related to self-insured employers, all listed as examples of costs to be excluded per AWCBC's definition. Among these items, the highest cost is associated with prevention initiatives; in 2013, they constituted $0.11 per $100 of assessable payroll. In addition, Review Division (internal appeals) costs are excluded due to inter-jurisdictional differences.

40. The accounting policies used to determine the 2009–2010 figures above were based on Canadian generally accepted accounting principles (GAAP) in place through 2010. Actual figures for 2011–2013 and targets for 2013–2016 are based on International Financial Reporting Standards (IFRS), as adopted by WorkSafeBC beginning in 2011 (with comparative IFRS figures provided for 2010). The 2009 figure was not restated due to the application of IFRS transition adjustment rules as at January 1, 2010.

41. The Ministry of Finance estimates of B.C.'s labour income for 2014 through 2016, as published in *B.C.'s Budget and Fiscal Plan 2014/15–2016/17*, were used to project future payrolls.

42. We recycled ceiling tiles in 2013 (7.33 tonnes) and began composting landscaping waste in November 2012 (41.1 tonnes in 2013). These items were not diverted in previous years.

43. For premium rate-setting purposes, WorkSafeBC uses a smoothed accounting approach — investment returns and actuarial gains or losses relating to employee benefit plans are amortized over a five-year period. This accounting approach moderates the effect of capital market volatility on financial results and premium rates. See the Financial Context section, page 16, for further information.

44. For planning and valuation purposes, WorkSafeBC's investments are expected to produce a long-term average real-return of 3.0 percent (equal to the discount rate used to calculate liabilities) over and above the inflation rate [as measured by the annual increase in the consumer price index (CPI)]; i.e., the required return is CPI growth plus 3.0 percent. The long-term objective of WorkSafeBC's Investment Committee is to earn a real rate of return of 3.5 percent, slightly higher than the 3.0 percent discount rate used to calculate liabilities.

45. Under the *Workers Compensation Act*, short-term disability, long-term disability, and survivor benefits are indexed against the annual increase in the consumer price index (CPI), as measured by the year-over-year CPI at October each year. These benefits are indexed to inflation at CPI growth less 1.0 percent, with a maximum of 4.0 percent and a minimum of zero. The inflation adjustments applied to benefit rates were 0.2 percent at January 1, 2013, (1.2 percent CPI growth less 1.0 percent) and no inflation adjustment at January 1, 2014 (0.7 percent CPI growth less 1.0 percent, minimum of zero).

46. WorkSafeBC's investments are expected to produce a long-term average real-return of 3.0 percent (equal to the discount rate used to calculate liabilities) over and above the inflation rate [as measured by the annual increase in the consumer price index (CPI)]; i.e., the required return is CPI growth plus 3.0 percent. The long-term objective of WorkSafeBC's Investment Committee is to earn a real rate of return of 3.5 percent, slightly higher than the 3.0 percent discount rate used to calculate liabilities.

47. The $1.63 base assessment rate for 2013 is the rate published when assessment rates were set in 2012. This compares to the current estimate of the aggregate 2013 rate, of $1.54. The published base rate is a composite of all individual industry base rates. It is published in the WorkSafeBC rate and classification list and averaged on the basis of long-term industry payroll growth rates. The aggregate premium rate differs from this published base rate in that it reflects the actual (based on most recent information available) rather than projected payroll mix by industry. The aggregate premium rate also differs from the base rate owing to imbalances arising from the experience rating plan. The aggregate premium rate can be viewed as a collection rate: it reflects actual premiums owed by employers for a particular assessment year, expressed as a percentage of the total assessable payroll.

48. Self-insured employers are sometimes referred to as deposit account employers. These employers do not pay premiums based on assessable payroll; rather, they are required to pay WorkSafeBC the cost of all compensation benefits distributed to their workers plus a share of the administration and other costs. They are required to maintain a deposit balance in their accounts from which amounts for claim costs and administration are drawn monthly. These employers include the provincial government and certain other companies.

49. The rate impact of deficit recoveries is dampened by application of the Capital Adequacy Reserve (CAR) policy, which limits the annual increase for deficit recoveries to no more than $0.05 per $100 of assessable payroll.

50. The inflation-sensitive category includes asset classes with valuations that are affected by the inflation rate over the long term, such as real estate and real-return bonds. Please refer to Note 4 of the consolidated financial statements for more detail.

51. Effective July 2013, the investment policy asset allocation targets were set at 25 percent fixed-income (allowable range 20–35 percent), 43 percent equity (allowable range 35–50 percent), and 32 percent inflation-sensitive (allowable range 20–40 percent). The investment policy also allows for investment in other asset classes (allowable range 0–5 percent).

52. WorkSafeBC's investments are expected to produce a long-term average real-return of 3.0 percent (equal to the discount rate used to calculate liabilities) over and above the inflation rate [as measured by the annual increase in the consumer price index (CPI)]; i.e., the required return is CPI growth plus 3.0 percent. The long-term objective of WorkSafeBC's Investment Committee is to earn a real rate of return of 3.5 percent, slightly higher than the 3.0 percent discount rate used to calculate liabilities.

53. Total claim costs and changes in benefit liabilities were both on a downward trend from 2001 to 2010 (though these costs did not decrease every consecutive year) before increasing in 2011. Excluding non-recurring items, total claim costs decreased from $1,649 million in 2001 to $1,291 million in 2010, then increased to $1,645 million in 2011; changes in benefit liabilities reduced from $562 million in 2001 to negative $35 million in 2010, then increased to $265 million in 2011.

54. The Capital Adequacy Reserve was originally called the Investment Fluctuation Reserve when it was created in 2005. It was subsequently renamed in 2007.

Workplace health and safety is everyone's responsibility

All workers are entitled to perform their work duties in safe and healthy work environments where hazards are minimized and controlled. The key to maintaining a safe and healthy workplace lies in joint action that involves everyone — employers, workers, supervisors, and other stakeholders — working together to fulfill their responsibilities and mitigate the risk of injury, disease, and death.

Employer responsibilities

- Provide a safe and healthy workplace
- Ensure that workers are adequately trained. Keep written records of training
- Establish and maintain a comprehensive occupational health and safety program, including a written health and safety policy and an incident investigation procedure
- Support supervisors, safety coordinators, and workers in their health and safety activities
- Take action immediately when a worker or supervisor tells you about a potentially hazardous situation
- Initiate an immediate investigation into incidents, and immediately report serious incidents to WorkSafeBC
- Provide adequate first aid facilities and services
- Provide personal protective equipment as required

Supervisor responsibilities

- Instruct workers in safe work procedures
- Train workers for all tasks assigned to them, and check that their work is being done safely
- Ensure that only authorized, adequately trained workers operate tools and equipment or use hazardous chemicals
- Ensure that equipment and materials are properly handled, stored, and maintained
- Enforce health and safety requirements, and correct unsafe acts and conditions
- Identify workers with problems that could affect safety at the worksite
- Follow up with interviews and referrals where necessary
- Develop appropriate health and safety rules and inspect the workplace for hazards

Worker responsibilities

- Know and follow health and safety requirements affecting your job
- Use all personal protective equipment when and where required
- Don't assume you can do work you've never done before. Ask your employer for training so you know how to do it safely before you begin
- Always work safely and encourage your co-workers to do the same
- Immediately correct unsafe conditions or report them right away to your employer
- Immediately report any injury to a first aid attendant or supervisor
- If you have any doubts about your safety, talk to your employer. Take the initiative — make suggestions to improve health and safety at work

Worker rights

- Know about workplace hazards
- Participate in workplace health and safety activities
- Refuse unsafe work

For more information

If you have questions about workplace health and safety issues, call the Prevention Information Line at 604.276.3100 or toll-free within B.C. at 1.888.621.7233, or visit WorkSafeBC.com and follow the link to Safety at Work, where you'll find resources that can be downloaded free of charge. You can also purchase safety publications and DVDs at www.worksafebcstore.com.